

PROGRAMME ATHENA



‘State of Readiness’ Guide for Local Authorities

June 2013

Supporting Document 10 (of 14)– Oracle Shared Service Business Case

Capital Ambition Strategic Business Case



The Business Case confirms that the project:

- meets the requirements for Capital Ambition funding
- has sufficient support from other Authorities and organisations
- is feasible and achievable in the time allowed
- will deliver cashable and/or or non-cashable savings

Lead Authority: London Borough of Lambeth

Partner(s): London Borough of Lewisham and the London Borough of Havering

Project Name: The Joint Service ('TJS') – Shared Processing Centre

Project Manager:	Allan Bingham-French Contact Email: abingham-french@lambeth.gov.uk
Author:	Allan Bingham-French
Version: 3.3	Date: 16 th March 2011
Total Funding Required (£s) (whole life)	Revenue: £250,000 Capital: £250,000 Total £500,000
Total Costs (£s) (whole life)	Combined costs: £5.6m
Total Efficiencies (£s) / additional income generated (Cashable and non- cashable)	Efficiencies generated of £2m per annum and avoidance of system upgrade costs of £1.5m per major upgrade. Note: Efficiencies for other London boroughs who have expressed a desire to participate in the Joint Service or take learning from the combination have not been included within forecast savings.
Cashable and non-cashable savings and owners (those ultimately responsible for delivering the savings) Combined savings £12.1m Return on Investment 2.15 At a strategic level, this is a project which is a foundation to ensuring more efficient resourcing, and hence a more sustainable business model.	<ul style="list-style-type: none"> • Lower total cost of ERP system ownership • Reduced operational and performance management staff numbers • Reduced cost of change • Reduced costs of third party integrations • Potential for strategic collaboration with other authorities, hence further possibilities for reducing costs.

Financial Accountability (Director of Finance)

I have reviewed the business case and can confirm the financial analysis and assumptions

Name: Mike Suarez

Signature:

Date: 16/3/2011

Project Sponsor Accountability

I am accountable for delivering the stated efficiencies on time and within budget

I confirm the level of spend available to the project is within my delegated powers

The impact of this project internally and externally has been agreed and is reflected in the business case and the sign off below.

Name: Janet Senior

Signature:

Date: 16/3/2011

Project Sponsor Accountability

I am accountable for delivering the stated efficiencies on time and within budget

I confirm the level of spend available to the project is within my delegated powers

The impact of this project internally and externally has been agreed and is reflected in the business case and the sign off below.

Name: Andrew Blake-Herbert

Signature:

Date: 16/3/2011

Capital Ambition Strategic Business Case

1.0 Overview

1.1 What is the project?

Lambeth, Lewisham and Havering have agreed to work collaboratively to create a Joint Service via a joint committee arrangement for procurement and finance transactional processing services delivered using Oracle Financials and in addition for Lambeth and Havering in relation to HR and Payroll that would:

- Develop joint back office through a shared processing centre for accounting, finance and procurement transactional processing services that are more efficient and generate savings with an overall reduction in operating costs through economies of scale and elimination of duplicate activities
- Work in coordination with Programme Athena and as a realisation of the aims of the programme to standardise, consolidate and share services
- Create a common instance of an ERP system in Oracle E-Business Suite Release 12 with integrated modules and processes by widening the recent implementation of Oracle E-Business Suite at Havering.
- Establish combined system hosting arrangements
- Create new ICT solutions including reporting, planning and forecasting functionality
- Standardise processes, practices, definitions and policies coordinated with best practice to improve the quality and consistency of service provided
- Go live with core Oracle Financials functionality by autumn 2013
- Be open to the inclusion of other London Authorities as partners
- Avoid duplication of costs in the re-implementation to Oracle Release 12

The collaboration will make savings for all councils by creating a shared service for processing financial and procurement transactions using one IT system, and HR Payroll for Lambeth and Havering. The joint service is expected to go live by autumn 2013 with detailed design and build of the new service starting in spring 2011. The savings will be used to support front-line services.

In light of expected low government settlements and the impact of October's comprehensive spending review, the councils have been working together to find new ways of delivering services in a difficult economic climate.

The joint service model being developed links into Lambeth's vision to become a co-operative council. At the heart of this vision is an ambition to find ways of sharing responsibility for delivering services with the community, the third sector and other organisations.

Work is now underway to set up the service. Detailed plans with recommendations for action will be delivered in spring 2011 which will be considered by all three councils, and discussed with elected members, employees and trade unions.

A joint project team is being formed dedicated to the design and implementation of the joint service. The team will look at standardising processes, business practices and policies using best practice to improve the quality and consistency of service provided. Value for money assessment of services, systems and application, and discussions around which

organisation will lead the service will also be undertaken. At the heart of this will be the recent work carried out by Havering looking into best practice processes. These will be further developed for the three partners with a view to how these can be made fit for purpose for any London Borough.

The joint service will be established via a joint committee arrangement allowing the two authorities to work in partnership, involving elected members representing respective communities and staff remaining with their current employer.

An output of the value work stream of Programme Athena is for business cases to be completed where appropriate for efficiencies from current arrangements. Accordingly this business case is a practical manifestation of the aims of Programme Athena to change the way we deliver support services such as finance and human resources to our organisations across London in order to enable far greater shared working and shared solutions. However it goes beyond these aims by creating a shared service that other authorities can leverage. It builds on standard business processes being agreed through Programme Athena with Lambeth, Lewisham and Havering being active participants in the work to develop common business performance metrics and chart of accounts. Lambeth recently shared legal advice on systems procurement through Programme Athena and other One Groups are utilising a performance framework originally developed by Havering then adapted by Lambeth.

The joint service develops the investment in a software asset as all authorities have licenses in perpetuity for the Oracle E-Business Suite in common with a number of London Authorities.

Through project Athena this creates a by London for London shared services opportunity which can then be compared directly with the outcomes of the Westminster outsourcing tendering approach. London Boroughs will have the ability to directly compare the outsourced opportunity with an internally run services. This will give Councillors information with which to make informed decisions about costs versus jobs. They will for the first time have clear opportunities. Havering is currently taking QC advice with input from Oracle One Group members from Programme Athena to determine the most appropriate approach to deliver this opportunity in accordance with procurement guidelines. The timescale for resolution is April 2011.

The London Borough of Brent has expressed interest in using the Oracle HR / Payroll system supporting Havering and Lambeth.

1.2 Opportunity to be addressed

Oracle E-Business suite is a core system application, supporting Finance and Procurement operations in Lambeth, Lewisham and Havering with a user base in excess of 4,000 officers in Lambeth, over 1,000 users at Lewisham and over 1,000 users in Havering. Lambeth and Havering also uses Oracle to support HR, the latter using it for Payroll too, where as Lambeth runs payroll from another system, whilst Lewisham are in the process of moving HR and Payroll to Northgate software.

The Strategic Leadership Board of Lambeth agreed in summer 2009 the recommendation from the ICT Services strategic proposal on Oracle infrastructure and support options to

undertake a feasibility study into the replacement options for the Oracle E-Business Suite. The analysis would review existing models and opportunities for shared service arrangements to meet the organisation's transactional finance, HR and procurement requirements and baseline existing costs for support and operation of the Oracle R11 suite. The feasibility phase would document options considered and rejected and provide a recommendation.

The feasibility study was conducted over the summer 2010 with support from Price Waterhouse Coopers ('PwC') and:

- Base lined existing costs for support and operation of the Oracle R11 suite (within ICT Services and across the business units)
- Reviewed models and opportunities for shared service arrangements to meet the council's operational requirements for the business areas in scope.
- Evaluated costs of alternative operating models.
- Documented options considered and rejected; and provided a recommendation, with an outline business case (as contained in this document).

The potential for set up of a social enterprise providing back office services to other London boroughs was investigated with reference to the Lambeth Co-operative Council Commission. The work was coordinated with progress of Programme Athena supported by Capital Ambition and a working relationship was developed with Lewisham who were at a similar stage of assessment of options for upgrade of Oracle e-Business Suite and Shared Services arrangements. Due to financial circumstance Havering had already made the decision to move to Oracle release 12 and implement the whole ERP suite of Finance, Procurement, HR and Payroll. Cabinet had approved the initial business case as part of Havering's Transformation programme. This was to be designed in such a way to make it a Vanilla solution that others could replicate. Further work is now need to implement additional elements of the functionality and to add to the work Havering has commenced to ensure that it is a solution not just for one Council, but a solution that can be used by the wide London group.

The study identified the following issues and opportunities at Lambeth:

Issue	Opportunity
<ul style="list-style-type: none"> • Oracle configured as an historic, rigid devolved local authority model with 300+ business units acting as individual companies generating a significant number of intercompany entries and repeat functions such as multiple supplier site set up. • System customisations inhibiting future upgrades with prohibitive costs • A chart of accounts unfit for purpose, undermining performance currently supported by an industry of MS-Excel spreadsheets across the organisation • Unnecessary system complexity inflating back office and performance reporting staff numbers • Unused capability within the system with insufficient training of staff • Data degradation and low quality of information to support decision making • Inconsistent processes and accounting policies 	<ul style="list-style-type: none"> • Create one legal entity with flexibility for commissioning / provider arrangements supporting the aims of the cooperative council • Introduce efficiencies identified in Bureaucracy Busting • Migrate to standardised vanilla functionality within Oracle reducing cost of change of future upgrades for example simplifying procurement controls • Introduce greater levels of self service for suppliers, debtors and employees hence low cost of transaction • 'One version of the truth' through interactive reporting suite • Combine with other authorities by making use of shared services functionality in the next version of Oracle • Automate accounting procedures for example common approach to accruals • Consolidate systems into Oracle hence reducing support arrangements and costs • Coordination with the LEAN review of procurement sponsored by the CEO.

The study concluded that alternate Enterprise Resource Planning ('ERP') systems did not provide a compelling case for change and would not have a major impact on the items causing difficulty at Lambeth. Some issues and opportunities were identified as being in common with Lewisham and Havering.

For Lewisham an outline of the issues and opportunities are as follows:-

Issue	Opportunity
<ul style="list-style-type: none"> Extend the existing Finance Shared Service to include other partner organisations. Lewisham has an internal Finance Shared service and all back office financial accounting processes is under one Team. This is working well and there is the opportunity to expand this operation. The Council needs to re-implement its core Oracle systems to version 12 The current hardware is out of date, as it was upgraded in October 2006, for the implementation of e-Procurement but contains full accounts going back to 2002/3. Customisations, although essential for the service, have meant additional costs during system patching and upgrades Current licensing of Oracle Financials is restricted, and to make use of new functionality e.g. I-Supplier, additional licenses would need to be purchased Cost of implementing an electronic/scanning invoice solution for Oracle Payables is prohibitive. To review the cost of systems support for all users including budget holders and finance support staff To achieve further savings from the Finance and Information Technology budgets. 	<ul style="list-style-type: none"> To achieve further economies of scale and the elimination of duplication by including other organisations in the Finance Shared Service. To share the costs of implementation with organisations in a similar position. To share the costs of a single hardware platform with the authorities who are part of the joint implementation and service. Review R12 functionality and where possible make use of new screens and programmes to replace customisations. Leverage a better deal with Oracle Corporation on purchasing of licenses as a joint service. A shared service with Lambeth would offer Lewisham the opportunity to join their e-Invoicing solution. To reduce the costs of systems support, however provided, by being part of a joint shared service operation. To appraise providing elements of the Shared Service to partner authorities. This would entail sharing existing costs and maximising existing structures and expertise.

For Havering the additional opportunities are as follows:-

Issue	Opportunity
<ul style="list-style-type: none"> Extend the existing Finance Shared Service to include other partner organisations. Havering has an internal Shared service for both transactional and operational functions, in relation to finance, procurement, HR, Payroll and Pensions which can be developed to support for or with others. The Council needs to implement further functionality to its core Oracle systems to give it a full ERP solution and the benefits that come with it. 	<ul style="list-style-type: none"> To achieve further economies of scale and the elimination of duplication by including other organisations in the Shared Service. To share the costs of implementation with organisations in a similar position.

<ul style="list-style-type: none"> • Having moved to Oracle on Demand and saved both the cost of requirement to maintain our own data centre, but the purpose of cloud technology is to benefits for sharing of the instance. • To ensure a vanilla implementation of oracle to keep down the cost of support and ensure future patches and upgrades are as simple as possible • Current licensing of Oracle Financials is restricted. Opportunities around new models of licensing linked to shared services are being explored. • To review the cost of systems support for all users including budget holders and finance support staff • To achieve further savings from the information Technology budgets. 	<ul style="list-style-type: none"> • Additional significant savings can be delivered through sharing the single instance of Oracle cloud technology. • Review R12 functionality and keep to a vanilla solution changing internal progresses where appropriate to replace previous customisations. • Leverage a better deal with Oracle Corporation on purchasing of licenses as a joint service. • To reduce the costs of systems support, however provided, by being part of a joint shared service operation. • To appraise providing elements of the Shared Service to partner authorities. This would entail sharing existing costs and maximising existing structures and expertise.
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2.0 The strategic case

2.1 Strategic fit

The development of a joint service supported by a common instance of Oracle E-Business Suite supports ICT objectives to reduce the carbon footprint of each organisation, realise financial efficiencies, establish a significantly improved model for disaster recovery, deliver value for money, deliver more accessible back office and ICT services and define and promote the importance of information assets.

The objectives of the joint service would include:

- Operational efficiency, integrated ERP systems, rationalisation and decommissioning of systems
- Effective performance management, streamlined and accessible business analytics.
- Shared services operational arrangements
- An effective process for business process improvement and innovation
- Improved motivation, productivity, competency and skill levels of workforce

The potential benefits and savings are summarised below:

Benefit	Possible Saving	Lambeth	Lewisham	Havering
Cost of system ownership	<ul style="list-style-type: none"> • Cost of ICT support staff per professional user 	10% reduction	10% reduction	10% Reduction
Costs of 3rd party integrations	<ul style="list-style-type: none"> • Software and support costs for additional systems 	100% reduction	Not applicable	100% reduction
Finance, procurement and HR transaction costs	<ul style="list-style-type: none"> • Cost per payslip, invoice (creditors) and £'000 debt raised 	10% reduction	Not Applicable payslip 10% Creditors 10% Debtors 10% E-Proc	Further 15% reduction
Operational staff numbers	<ul style="list-style-type: none"> • Ratio of HR Staff to total employees • Total cost of the finance function per £000 gross revenue 	20% reduction 10% reduction	Not Applicable	Further 10% reduction

Financial planning and management	<ul style="list-style-type: none"> Cycle time in days to complete the financial forecast 	60% reduction	10% reduction	20% reduction
Cash collection	<ul style="list-style-type: none"> Debt days (sundry debts) 	45% reduction	Review set up of Advanced Collections	Further 5% reduction
Performance management staff numbers	<ul style="list-style-type: none"> Number of performance management staff 	6% reduction	Subject to efficiency review	10% reduction
Simplified and standardised common service processes	<ul style="list-style-type: none"> Manual journal entries No of Accounts in Chart of Accounts Back office Financial support costs 	30% reduction 87% reduction	10% reduction To be reviewed 25% reduction	Further 5% reduction
Cost of change	<ul style="list-style-type: none"> Time and cost to implement system changes, upgrades and enhancements for major ERP releases 	90% reduction	50% reduction under a shared arrangement	50% reduction
Workforce planning & decision making	<ul style="list-style-type: none"> Average elapsed time from a vacancy occurring to the acceptance of an offer for the same post 	24% reduction	Not Applicable	Further 10% reduction

The benefit to other London Authorities of this project would include sharing of the design of the joint service, approach to engaging stakeholders, joint business case, procurement exercise and specification of systems and standardised business processes.

2.2 Project scope

The project scope includes:

Area	Detail	Lambeth	Lewisham	Havering
Business Units - 'Back office functions'	<ul style="list-style-type: none"> Corporate and departmental / directorate finance 	✓	✓	✓
	<ul style="list-style-type: none"> Corporate and departmental human resources 	✓	x	✓
	<ul style="list-style-type: none"> Corporate and departmental procurement 	✓	✓	✓
	<ul style="list-style-type: none"> Financial Shared Services 	✓	✓	✓
	<ul style="list-style-type: none"> ICT Services where relating to Oracle 	✓	✓	✓
Processes (Finance & Procurement)	<ul style="list-style-type: none"> Accounting, Finance and Procurement 	✓	✓	✓
	<ul style="list-style-type: none"> Purchase to Pay, supplier management and Sourcing (Accounts Payable / Procurement) 	✓	✓	✓
	<ul style="list-style-type: none"> Accounts Receivable 	✓	✓	✓
	<ul style="list-style-type: none"> Cash Management and Treasury 	✓	✓	✓
	<ul style="list-style-type: none"> General Ledger 	✓	✓	✓
	<ul style="list-style-type: none"> Credit and Collections 	✓	✓	✓
	<ul style="list-style-type: none"> Financial Analysis and Reporting 	✓	✓	✓
	<ul style="list-style-type: none"> Planning & Budgeting 	✓	✓	✓
	<ul style="list-style-type: none"> Chart of Accounts 	✓	✓	✓
	<ul style="list-style-type: none"> Fixed Assets 	✓	✓	✓
	<ul style="list-style-type: none"> Planning & Forecasting 	✓	✓	✓

Processes (Human Resources)	Human Resources: <ul style="list-style-type: none"> Recruitment Compensation and Benefits Payroll Services Pensions Administration Learning and Development Performance Management Absence Management Expense Management Organisational Management Oracle E-Business Training Learning & Development Administration Leavers 	✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	x	✓
		✓	✓	✓
		✓	x	✓
		✓	x	✓
Systems	<ul style="list-style-type: none"> Oracle E-Business Suite - Financials Oracle E-Business Suite HR & Payroll 	✓	✓	✓
		✓	x	✓
Associated Parties	<ul style="list-style-type: none"> ALMO Pensions Administration 	✓	✓	✓
		✓	x	✓
ICT Services Arrangements	<ul style="list-style-type: none"> Systems applications hosting for Oracle and in-scope systems Principle of Master Data Management 	✓	✓	✓
		✓	✓	✓
System Implementation:	<ul style="list-style-type: none"> Design and Build of the system Interface redevelopment Security & Testing of the system Data Migration and Data Setup Process Standardisation Training Database admin and support 	✓	✓	✓
		✓	✓	✓
		✓	✓	✓
		✓	✓	✓
		✓	✓	✓
		✓	✓	✓
		✓	✓	✓
		✓	✓	✓
Geography	<ul style="list-style-type: none"> All wards 	✓	✓	✓

2.3 Benefits

The estimated project benefits are detailed in the table below:

Benefit	Benefit Type	Value of Benefit	Measuring the Benefits				Benefit Period
			Means of Measuring	Havering	Lambeth Baseline	Lewisham Baseline	

			Benefit	Baseline **			
1 Lower total cost of ERP ownership (TCO)	Cashable Savings	10% reduction £0.1m p.a. (25% possible)	- Cost of ICT support staff per professional user	To be advised	£1,197	To be advised	4 Years FY2012-16
2 Reduced costs of 3rd party integrations	Cost Avoidance	100% reduction	- Software and support costs for additional systems	To be advised	£0.2m	£0.05m	4 years FY2013-16
3 Reduced transaction cost	Efficiency Gains	10% reduction (25% reduction possible)	- Cost per payslip - Cost per invoice (creditors) - Cost per £'000 debt raised	£3.75 £2.81 To be advised	£5.79 £3.57 £8.30	Not applicable £3.21 £7.29	3 years FY2013-16
4 Reduced operational staff numbers	Efficiency Gain	20% increase	- Ratio of HR Staff to Total Employees	1:42 excl schools	1:58	Not applicable	5 Years FY2012-17
	Efficiency Gain	>100% increase	- Percentage total spend under management	0.84%	0.06%	Not applicable	
	Cashable Saving	10% reduction £1.1m p.a. (25-35% reduction possible)	- Total cost of the finance function per £000 gross revenue	To be advised	£7.87	£7.80	
5 Improved financial planning and management	Efficiency Gains	60% reduction	- Cycle time in days to complete the financial forecast	5-6 weeks	1 month	N/a	3 years FY2013-16
6 Improved cash collection	Efficiency Gains	45% reduction	- Debt days (sundry debts)	28 days (Sundry debt)	62 days	To be reviewed	3 years FY2013-16
7 Reduced performance management staff numbers	Cashable Saving	6% reduction £1.2m p.a. (25% reduction possible)	- Number of performance management staff	To be advised	500	N/a	4 Years FY2012-16
8 Simplified and standardised common service processes.	Capacity Building	30% reduction (Lambeth only) 87% reduction (Lambeth only)	- Percentage of manual journal entries - No of Accounts in Chart of Accounts	81% 664	36% 4,482	0% 441 (revenue)	3 years FY2013-16

9 Reduced cost of change	Cost Avoidance	60% reduction	- Time and cost to implement system changes, upgrades and enhancements for major ERP releases	£5.5m	£3.8m	£1.5m	Periodic every 5-8 years FY2016-17
10 Effective & timely workforce planning & decision-making	Capacity Building	24% reduction	- Average elapsed time from a vacancy occurring to the acceptance of an offer for the same post (Published Start Date)	31 days	48 days	Not Applicable	3 years FY2013-16

** Having baseline prior to recent implementation to Oracle R12.

A benchmarking exercise by London Borough of Havering prior to their implementation of Oracle E-Business Suite R12 was used as the basis for the performance metrics in the above table enhanced by results from CIPFA benchmarking clubs to reflect public sector performance. Lambeth and Havering will be including HR transactional services within the joint service in the first instance hence benefits in this area within the table above are for Lambeth and Havering only.

Havering having already commenced its initial phase of implementation and is now already seeing significant savings realised, with the reduction of 55 FTE's. This work needs to extend to additional functionality the ERP system can offer and the further benefits of doing this in partnership with others. The above table then needs to be updated for the benefits that Havering are now achieving.

The creation of the joint service enables future savings in revenue expenditure by providing the technology foundation required to deliver change and development and realise respective visions. The level of savings expected to be realised through the project includes savings already committed and aspirational savings anticipated as the project progresses. There will be much change across the participating organisations over the next two years in response to restricted resources, and the aspirations of the project will continue to support this moving forward.

At a strategic level, the development of a joint service is a foundation to ensuring more efficient resourcing, and hence a more sustainable business model. Furthermore, it offers the potential for strategic collaboration with other organisations beyond the founding partners, and hence further possibilities for reducing costs.

2.4 Critical Success Factors

Critical Success Factors that must be in place for the project to succeed include:

- Endorsement of the project by senior managers in respective partner authorities
- Engagement of all business communities across partner authorities, supporting the move to standardisation by implementation of vanilla Oracle systems functionality

- Skills and capacity within the boroughs and systems integrators to deliver the joint service and ensure sustainability post deployment
- Creation of a single project team across partner authorities taking a common approach to deliver the aims of the project and meeting the needs of communities within London
- Combined project governance arrangements and joint committee arrangements in place for the joint service.
- Delivery to time and budget through strong programme and project management

2.5 Assumptions

The assumptions supporting the development of the joint service include:

Resource Assumptions

- Business unit and project staff will have sufficient experience of existing systems and services within partner authorities
- Flexibility will be required by the project team to access business unit staff as authorities downsize over the next four years
- ICT staff will be available to the project experienced in the technical environment
- Access to expert resource and specialised skills will be available when necessary.
- Resource estimates are based on a 35 hour working week.

Environmental Assumptions

- Delivery of the joint service will be within a difficult economic climate following low government settlements and the impact of the October 2010 comprehensive spending review.
- Employee, members, and trade union support for a Joint Committee Arrangement
- Risks and issues will be resolved in a timely manner and at the appropriate level of management seniority

Budgetary Assumptions

- Best estimates are used in preparing this outline business case based on current knowledge and assessment of systems and services
- External systems integration support is required to deliver the joint service

The assumptions are to be tracked and updated as the project progresses and the outline business case is reviewed to ensure that the project remains worthwhile.

2.6 Constraints

The main constraints include:

- Possible disengagement with the project by operational teams through nervousness of shared services and lack of trust in management. The project to build trust with operational teams by involving employees during the design and build phase with proactive communications with stakeholders as part of a change management programme
- Ensuring continued senior commitment and leadership in a difficult changing environment as differing priorities may emerge within partner authorities impacting project deliverables. Period reporting about project progress to be made at regular intervals

- If a joint re-implementation of the ERP system is not secured between authorities then economies of scale may not be achieved and the project creates additional funding pressures on an organisation. Funding from Capital Ambition would reduce the financial pressure on the authorities involved.
- Authorities involved with development of the joint service need to upgrade their Oracle E-Business Suite systems to release 12 by November 2013 when support for release 11 by Oracle Corporation expires
- Participating authorities may need to move to an enterprise licence arrangement for Oracle E-Business Suite facilitating shared services arrangements

Existing contract arrangements are not expected to constrain development of the joint service.

2.7 Risks

RPA Questions	Score (0-5)
Requirement clearly linked to business objectives?	1
Fits in clearly with existing business?	1
Tried and tested approach?	2
Investment and delivery timeframes linked?	3
Business processes/ workflow affected?	3
Process/ workflow changes understood?	2
Stakeholder and communications risks actively addressed?	2
Barriers to implementation understood?	2
Necessary capability and capacity in place?	2
Senior managers aware of responsibilities?	2
Effective governance in place?	2
Escalation and resolution processes functional?	2
Scope defined and agreed?	2
Preferred solution understood?	1
Benefits understood and benefit owners identified?	2
Sufficient contingency in place?	2
Planning constraints understood?	2
Dependencies and assumptions understood?	1
Roles and responsibilities actively agreed and owned?	2
Total	36

3. 0 The economic case

3.1 Options appraisal

Three main options were formed then assessed within the business case:

- Re-implement Oracle to the new release, as part of a shared service
- Implement an alternative ERP solution, as part of a shared service
- Establish a social enterprise to deliver these services

Which are considered in the following table:

Option Ref	Option Description & Appraisal	Cost/Benefit Analysis	Soft Benefits
1	Reimplementation to Oracle Release 12 within joint service arrangement for Finance, Procurement and HR including the migration of payroll to Oracle. Lambeth would deliver back office services in conjunction with Lewisham and Havering which are led by one borough based on value for money assessment of current services. Set up through a joint committee arrangement in coordination with Programme Athena One Oracle Group. Potential exists for the consolidation of systems currently external to the Oracle ERP suite.	High business benefit and value for money Standardisation of processes and vanilla use of systems generating efficiency savings Low cost of ongoing change Software supplier robustness Shared services savings Integrated functionality generating savings Leverages existing investment in Oracle E-Business Suite Reduced cost of training	Effective use of the integrated capacity and capability of the Oracle ERP suite improving employee satisfaction Shared knowledge with other boroughs Lambeth reputation enhanced by joint working with other boroughs Coordination with Lambeth aims of developing a cooperative council
2	Migration to alternate ERP system within shared service arrangement for example an ERP product such as Agresso or CEDAR which are also used by other London Authorities. Best of breed systems would be used for systems such as payroll. Havering, Lambeth and Lewisham would move to another One Group e.g.: One Agresso within Programme Athena. Lambeth would deliver back office services in conjunction with Havering and Lewisham that are led by one borough based on value for money assessment of current services. Set up through a joint committee arrangement in coordination with Programme Athena One Groups	High cost of migration to another ERP system hence lower value for money Greater operational complexity opposing ICT Strategies. Best of breed system stack to meet functional needs hence cost advantage diminishes quickly Easier to maintain in-house Shared services savings Less rich functionality within ERP system	Effective use of the integrated capacity and capability of the Tier 1 ERP suite improving employee satisfaction Shared knowledge with other boroughs Lambeth reputation enhanced by joint working with other boroughs Coordination with aims of Cooperative Council
3	Establish Social Enterprise following reimplementation to Oracle Release 12. A Community Interest Company would be created with Havering, Lambeth and Lewisham as shareholders with a social purpose to support delivery of high quality services to the communities of Lambeth and reduce worklessness in the borough. The social enterprise would have a management contract not subject to	Commercial approach to business generating efficiency savings Surpluses shared with all three boroughs through reduced management fees Delay in taking business benefits from move to Release 12 Additional costs of transition structure and investment in capacity	Increased community engagement by back office staff and greater social purpose Coordination with aims of Cooperative Council Reduced offset between high value jobs and additional costs of unemployment in the community (17% of back office staff live in Lambeth)

	competition with Havering, Lambeth and Lewisham for a maximum period of five years, providing back office services to all three boroughs, other boroughs and schools.		
4	Do nothing by maintaining current systems and organisation design	Doing nothing was discounted for end of system support for Oracle Release 11 in 2013. Current systems would inhibit organisation contraction and future affordability of existing support services being unsustainable. a compelling case for change and would not have a major impact on the items causing difficulty at Lambeth.	

The possibility of outsourcing services to a private provider was discounted as it could be difficult to form a contract for the delivery of back office services during this period of change, retain surpluses generated and deliver services at a high cost with low flexibility.

The potential for the creation of a social enterprise to deliver back office services was investigated with consideration of charitable versus a commercially driven approach through creation of a community interest company. The charitable objects of the social enterprise were identified as excellence in delivery of services to local communities and support for initiatives to reduce worklessness in the borough. For Lambeth, 17% of back office employees were identified as living and working in Lambeth.

The creation of a social enterprise was feasible but could increase costs through loss of economies of scale, creation of a shadow management structure, potential delays in business benefits, TUPE of employees and additional capacity to service other boroughs. A dedicated contract from Havering, Lambeth and Lewisham for a 3-5 year period although within the gift of the councils could be perceived as anti-competitive when private providers could deliver similar back office services. Our market research also indicated a lack of appetite or demand by other boroughs to deliver their back office services through a social enterprise.

Havering, Lambeth and Lewisham would be better served by implementing a flexible joint committee arrangement where it would be possible for partners to buy in on a “pay as you go” model, providing efficient and professional back office support without partners needing to invest in setting them up for themselves, or buying into expensive commercial provision.

With the work that Havering had commenced there is the added benefit with option 1 of not starting with a blank piece of paper, but with some initial best practice processes for some of

the functionality which can be expanded on and developed to be fit for purpose for all London boroughs.

Additional net cost of option 2 over option 1:

- Implementation costs and delays in business benefit of £2.2m
- Systems not consolidated £0.1m pa
- Total additional estimated cost of £2.3m

Additional net costs of option 3 over option 1:

- Transition costs £0.5m
- Delay in business benefit £0.8m
- Additional capacity £0.5m to attract further contracts for viable business
- Total additional estimated cost of £1.8m

Recommendation	<p>Reimplementation to Oracle Release 12 within a joint service arrangement between Havering, Lambeth and Lewisham running Oracle E-Business Suite. Developed in coordination with Programme Athena as part of Capital Ambition.</p> <p>Option 1 offers greatest value for money, resolution of current issues and opportunity for shared services (subject to value for money assessment); to be implemented in a phased approach to reduce complexity and risk with activities staged to put a more reasonable load on council resources and early successes to build buy-in and momentum. The estimated costs for the re-implementation are £5.6m funded from revenue and capital; reflecting efficiencies and economies through joint commissioning between Havering, Lambeth and Lewisham.</p>
Trade- Offs	<ul style="list-style-type: none"> • Potentially increased time to re-implement as two organisation are involved • Level of community engagement and involvement that could be achieved through a social enterprise mechanism • Single integrated ERP solution inevitably involves some compromise to individual business area specialism's and process
Implications	<ul style="list-style-type: none"> • Cost offset by sharing re-implementation costs between organisations including the costs of systems integration for the move from R11 to R12 Oracle E-Business Suite, implementation of new functionality and application hosting arrangements. • Increased level of business benefit through joint service arrangements (possible 25% saving) • Joint service designed to gain efficiencies in transactional processing by leveraging common practices and enabling technology

3.2 Links to other initiatives/ opportunities

The creation of the joint service coordinates with the Pan London Financial Systems Capital Ambition Bid, Programme Athena; enabling London as a whole to have common processes based on performance excellence and world class standards. Lambeth, Lewisham and Havering are active members of the One Oracle Group within Programme Athena, with the latter Chairing the group.

Lambeth has been sharing output of work from the feasibility study with other London Boroughs through Programme Athena. For example a main issue for both Lambeth and Lewisham related to continued support and maintenance arrangements approved previously under waiver at Lambeth for the Oracle E-Business suite varying or extending by more than 50% the value of the original contract for Oracle breaching Regulation 14 Public Contracts

Regulations 2006 within EU Rules hence potentially causing contract ineffectiveness. Hence should the ERP system be retendered rather than Oracle upgraded to the next version and losing the current investment in Oracle licences in perpetuity, potentially adding £1-2m to the estimated costs of change.

This was resolved by taking advice from Peter Oldham QC that existing licenses for Oracle ERP are in perpetuity which is a contract that has been discharged – effectively the existing investment in the Oracle system is an asset. A second contract exists with Oracle Corporation until November 2011 for support and maintenance arrangements providing system bug fixes, patches, access to technical helpdesk and rights to upgrade the software. To avoid risk of contract ineffectiveness a purchase via buying solutions was recommended for support and maintenance arrangements beyond November 2011 hence a reimplementation to Oracle Release 12 met EU procurement rules. A procurement exercise would then be conducted during 2011 through Buying Solutions for:

- Software Support and maintenance for the period December 2011 to November 2015
- Systems Integrator to configure Oracle Release 12 and undertake business analysis in support of transition between versions
- New functionality including reporting suite with online management dashboards and drill down to transactions from summary information
- External hosting of the application unless hosted by another London Borough

This advice has now been shared with other London Authorities via Programme Athena.

3.3 Impact of the project

The project will have a wide ranging impact across business functions within each of the Boroughs. It is anticipated that, as with any change, there will be a period of transition during which time the changes would need to be closely managed.

Actions will be put in place to ensure that this change is effectively managed across all Councils, by ensuring that senior managers sign up to the changes and by involving business users in the whole process.

The project will involve changing business processes and functions that will have a number of associated risks. The performance levels will require close monitoring to ensure quality and efficiency are closely monitored. It will be a core project deliverable to ensure that relevant efficiencies result and to this end the implementation will drive out inefficiencies by eradicating duplication and unnecessary processes.

4.0 Achievability: the project management case

4.1 Deliverables

The deliverables of the project are:

Ref	Project Deliverable	Lambeth	Lewisham	Havering	Products shared with others
1	Creation of a joint committee arrangement between Lambeth and Lewisham creating a joint service for delivery of back office services with appropriate service level agreements with scope for further boroughs to join. Employees remain employed by existing organisation but potentially managed by staff of another borough hence TUPE arrangements do not apply. A borough is nominated to lead the service based on value for money performance criteria. Surpluses generated as savings remain within participating organisations but a form of service fee is used for management arrangements should another borough lead delivery of services.	✓	✓	✓	<p>Detail of joint committee arrangement</p> <p>Service level agreement</p> <p>Design of joint service</p> <p>Approach to change management, issues raised and their resolution</p> <p>Project implementation plan</p>
2	Design and transition of the retained organisation that interacts with the transactional services provided by the joint service. Including restructuring of business units to support external joint service arrangements with redeployment / staff redundancy supported by change management activities. Extension of internal Financial Shared Services (within the shared services arrangement between Lambeth and Lewisham) into other areas where current internal shared services do not cover. For Lambeth this would include some departmental finance functions such as debt management	✓	✓	✓	<p>Approach to engaging stakeholders</p> <p>Design of interaction between joint service and retained organisation</p> <p>Governance Arrangements</p> <p>How risks can be shared</p> <p>Partnership and best value</p>
3	Re-implementation to Oracle release 12 integrated solution as a single joint instance through a series of "gate reviews" that guarantee readiness for the next stage and reduce risk within a shared service arrangement	✓	✓	✓	<p>Joint business case</p> <p>Procurement exercise</p> <p>QC procurement advice</p>

4	Process optimisation / simplification, removal of customisations and introduction of standardisation including optimisation of the purchase to pay process, purchase order functionality and controls (with review of procurement sourcing functionality) and operating structure	✓	✓	✓	Standardised processes, procedures and common business policies Assessment of common and unique knowledge
5	Reimplementation of Oracle E-Business Suite Modules: General Ledger, Accounts Payable, Accounts Receivable, Purchase Order, I-Procurement.	✓	✓	✓	ERP and reporting suite systems specification
6	Configuration of Release 12 modules HR, Learning Management and Talent Management and extension of HR self service functionality including access to online pay slips, absence management and travel expenses	✓	✗	✓	ERP suite systems configuration
7	Controls simplification by moving from employee / supervisor led hierarchy to position hierarchy coordinated with financials and the use of Oracle Approvals Management Engine	✓	✓	✓	Controls design and simplification
8	Re-design of the Accounts in coordination with Programme Athena and introduction of a clear and consistently applied rationale for segment usage across the organisation and hierarchies, with fit for purpose controls managing changes	✓	✓	✓	Design of chart of accounts with detail on how business issues are supported
9	Adoption of an automated method of accruals generation	✓	✓	✓	Business processes supporting automation of accruals
10	Initiation of a data cleansing exercise in advance of the Oracle Release 12 re-implementation where this is practical with improved data governance regime for example employee data supported by extended employee self service	✓	✓	✓	Data quality issues encountered and their resolution
11	Redesign of staff training for Oracle ERP as pre-condition for the introduction of accreditation in the use of Oracle	✓	✓	✓	Training materials and approach to accreditation

12	Rationalisation of a number of interfaces currently being used to transfer data between the Oracle release 11 application and 3rd party systems	✓	✓	✓	Approach to decommissioning of systems and integration into Oracle
13	Master data management or single trusted source of data within Oracle starting with Chart of Accounts, Supplier, Employee (including Position, Organisation Hierarchy) and debtor.	✓	✓	✓	Problems encountered with initial analysis and migration to single trusted source of data
14	Business analytics (reporting suite) facilitating online analysis and drill down of information	✓	✗	✓	Business change effected by access to information and data Impact of dynamic online reporting
15	Implementation of planning, budgeting and forecasting functionality integrated within the ERP suite	✓	✗	✓	Budget management by business line managers
16	Implementation of Oracle procurement functionality to create and enforce better purchasing contracts, improve effectiveness and efficiency of strategic sourcing and oversight for services spending from service specification, through contracting, and payment.	✓	✓	✓	Lessons learned during re-implementation
17	Self service for suppliers and debtors through delivery of online portals	✓	✓	✓	Impact on external parties of move to self service
18	Application potentially hosted by Application Service Provider or by one organisation	✓	✓	✓	Assessment of managed services vs. in house provision

4.2 Delivery arrangements

The people responsible for producing the deliverables and need to work on the project include:

Resource	Type of Resource	Type of Funding	Lambeth Source	Lewisham Source	Havering Source
Programme & Project Management	Employees, Fixed Term Contract / Systems Integrator	Revenue / Capital	ICT Services (Project & Programmes) /	Information Management & Technology	Programme Office
Design Authority & Solution Architect	Employees / Fixed Term Contract / Systems Integrator	Revenue / Capital	ICT Services /	Information Management & Technology	IT Services, and Oracle Competency Centre
Procurement Exercise,	Employees / Fixed Term Contract	Revenue	Corporate Procurement, Legal Services ICT Services	Corporate Procurement, Legal Services, Information Management & Technology	Strategic Procurement, Internal Shared Services, Legal Services ICT Services
System design, Configuration & Test	Employees / Fixed Term Contracts / Systems Integrator	Revenue / Capital	Corporate & Departmental Finance, Corporate & Departmental HR Corporate & Departmental Procurement ICT Services	Information Management & Technology / Finance Shared Service / Corporate Finance / Business Management & Service Support	Corporate Finance, Procurement and HR with Internal Shared Services, and ICT Services
Business Process Redesign	Employees / Fixed Term Contracts / Systems Integrator	Revenue / Capital	Corporate & Departmental Finance, Corporate & Departmental HR Corporate & Departmental Procurement ICT Services	Information Management & Technology / Finance Shared Service / Corporate Finance / Business Management & Service Support	Corporate Finance, Procurement and HR with Internal Shared Services, and ICT Services
Data Cleanse, Migration & Deployment	Employees / Systems Integrator	Capital / Revenue	ICT Service	Finance Shared Service	ICT Services

System Stabilisation	Employees	Revenue	ICT Services	Information Management & Technology	ICT Services
Change Management	Employees	Revenue	Corporate HR / Departmental / Directorate Human Resources	Finance Shared Service	Programme Office, Corporate HR and Internal Shared Services
Training	Employees / Systems Integrator	Revenue	Departmental Finance	Information Management & Technology / Finance Shared Service	Internal Shared Services
Finance	Employees	Revenue	Corporate & Departmental Finance	Finance Shared Service	Corporate Finance and Internal Shared Services

The reimplementation to be supported by an external systems integrator responsible for design and build of the system with interfaces, security & testing of the system, data migration and data setup, process standardisation and vanilla functionality without customisation. External procurement for the systems integrator is required for a two year contract period, procured through Buying Solutions using the framework:

- Complete solution through Software Application Solutions Lot 4:
http://www.buyingsolutions.gov.uk/frameworks/contract_details.html?contract_id=881

The Buying Solutions frameworks currently end in December 2011 but any contracts purchased via these frameworks during 2011 do not need to complete by this time. The frameworks are likely to be extended hence a procurement exercise for the systems integrator could complete during an extended period. Alternatively the contract could be tendered with an advertisement in OJEU listing it as a shared contract.

Lambeth, Lewisham and Havering's corporate responsibility policies would be addressed in this contract by:

- Social Sustainability – A contractual requirement would be for suppliers to comply with their local law in respect of employment, use standards and policies affecting health and safety and equalities & diversity and partnership between Lambeth and Lewisham sustains local employment
- Environmental Sustainability – suppliers to have policies and procedures aimed at protecting the environment and make prudent use of natural resources.
- Economic Sustainability- suppliers should demonstrate legal compliance in terms of steps taken to fulfil contractual obligations, avoid of abuse of power, anti competitiveness and demonstrate value for money, ethical practices and fair dealing.

Contract payment would be subject to deliverables and acceptance criteria would be agreed at the commencement of the contract. Any risk transfer would operate on the principle that risks should be passed to 'the party best able to manage them', subject to value for money.

The procurement will be undertaken to ensure contracts awarded are accessible to other London Authorities to support efficiencies in support and licensing arrangements in addition to cost of upgrade and reimplementation of Oracle E-Business Suite. The Joint Committee Arrangement will be designed to facilitate involvement of other London Authorities in the joint service, shared processing centre. By working in conjunction with Programme Athena, the design of the joint service will be based on common processes and business policies easing transition of participating authorities to the joint service.

4.3 Project Plan

Further planning and estimates are to be made during the design and build stage of the project. A phased approach to delivery is proposed to creation of the joint service and reimplementation to Release 12 of Oracle E-Business Suite to reduce complexity and risk with activities staged to put a more reasonable load on organisation resources and early successes to build buy-in and momentum. The phases would be split as follows:

Phase 1 includes:

- Design and build of the operational arrangements for the joint service
- Business option improvements that are co-dependent and additional ERP functionality that are low implementation effort offering immediate benefits for Procurement and Finance
- Reimplementation to Oracle E-Business Suite Release 12, common chart of accounts, operating units structure, purchase to pay process including delegated controls and budgeting processes, accruals, procurement cards, data quality and cleansing. Design and build through 2011 and 2012 with implementation for Lewisham by April 2012 and Lambeth by April 2013.
- Go live joint service

Phase 2 includes:

- Migration of payroll and online recruitment to Oracle for Lambeth and introduction of online travel expenses. Potential consolidation of Fixed Assets systems and income allocation functionality.
- Design and build through 2012 and 2013 with implementation Spring 2013.

The end date of the project is anticipated to fall within the range March 2013 to June 2013. To sustain commitment and momentum over a three year period interim releases would be implemented to bring forward benefits and show progress reflecting on previous difficulties implementing Oracle projects.

5.0 The financial case

5.1 Financial summary

Financial Summary	£'000	£'000	£'000	£'000	£'000	£'000
	YEAR					
BENEFIT DRIVERS	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	0	1	2	3	4	5
Lower total cost of ERP ownership		£0	£0	£100	£ 100	£100
Reduced operational staff numbers		£1,200	£1,750	£1,750	£1,750	£1,750
Reduced performance management staff numbers		£0	£100	£100	£100	£100
Reduced cost of change		£0	£0	£0	£0	£2,300
Total annual benefits		£1,200	£1,850	£1,950	£1,950	£4,250
Discounted rate		3.5%	3.5%	3.5%	3.5%	3.5%
Total benefits realised		£1,200	£1,914	£2,089	£2,162	£4,877

Costs	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total	£4,671	£918	£36	£0	£0	£0

Benefits (Discounted)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Annual benefit flow	£0	£1,200	£1,914	£2,089	£2,162	£4,877
Cumulative benefit flow	£0	£1,200	£3,114	£5,203	£7,366	£12,243

Discounted benefit flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Discounted costs	£4,671	£950	£37	£0	£0	£0
Discounted benefits	£0	£1,200	£1,915	£2,089	£2,162	£4,877
Total discounted benefit flow	£(4,671)	£250	£1,877	£2,089	£2,162	£4,877
Total cumulative discounted benefit flow	£(4,671)	£(4,421)	£(2,544)	£(455)	£1,707	£6,584

Initial investment	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Capital Ambition investment	£500	£0	£0	£0	£0	£0
Implementation costs	£4,171	£743	£37	£0	£0	£0
Ongoing support costs	£0	£0	£0	£0	£0	£0
Other costs	£0	£0	£0	£0	£0	£0
Total costs	£4,671	£743	£37	£0	£0	£0

ROI measures						
Net Present Value	£5,575					
Return on Investment (cumulative)		-	0.55	0.92	1.30	2.16

The investment represents a capital and revenue cost to the three authorities. A breakdown of the estimated cost is included within the appendix. The proposed funding from capital ambition would support the following:

- Project and programme management for the design and development of the joint service and formation of the joint committee arrangement
- Business analysis to support readiness for combination of other London Authorities into the joint service
- Systems analysis to consolidate systems into the Enterprise Resource Planning systems suite
- Share learning with other London Authorities

5.2 Financial assumptions

Financial assumptions that underpin the business case are:

- Support for the current Oracle version in use expires in 2013 and Lambeth and Lewisham must take steps now in order to ensure a successful implementation of its replacement
- Costs assume joint implementation and reflect economies achievable through joint commissioning and leveraging of common processes hence lower than a single implementation. Otherwise additional cost provision would be required being £600k for Lambeth.
- Costs start in FY2010/11 and complete in FY2013/14
- Backfill estimates covering operational staff seconded to the project team have been included in revenue funded resources
- Sunk costs or investment in Oracle to date of Oracle software are excluded.
- Proposed application hosting to be funded from existing ICT Services Budget for Applications Support
- Employee PRS funded through a central provision hence cost shown separately based on average 12 years service at a cost of £12,500 per employee based on average 10 years service and employee under the age of 41
- Potential cross charging for operational management arrangements between LBL and another local organisation within a shared services arrangement have not been estimated but would not be additional to current operational costs.
- Current operational staff support training with business unit managers supporting change management activities
- The cost to the three authorities is significantly greater than the funding sought. The aim of this is to ensure that a solution that can be used not only across three authorities is developed, but one that through Project Athena can be extended to other Councils.
- An estimate for contingency has been excluded from budgeted costs.

6.0 Appendices and annexes

6.1 Initial screening Equalities Impact Assessment

The initial equalities impact assessment has concluded:

Policy relevance to equality	Low	Needs a degree of rigor to confirm that it is in line with statutory duties but external challenge. Full assessment not required
	Medium	Needs reasonably robust process with some degree of external challenge. Full assessment required.
	High	Needs very detailed and thorough process with significant external challenge. Full assessment required.
Relevance identified	Race Gender and transgender Disability Age Sexuality Faith or belief Social and economic factors	Low Low Low Low Low Low Low
Low/Medium/High	Low	Low

6.2 Cost Breakdown

The breakdown of estimated costs is detailed below:

Combined Costs

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Phase 1 – Core Financials and Joint Service							
Programme & Project Management	176	0	0	0	0	0	176
Procurement, Design Authority & Solution Architect	198	0	0	0	0	0	198
System design, Configuration & Test	2,333	100	0	0	0	0	2,433
Business Process Redesign	1,496	200	0	0	0	0	1,696
Data Cleanse, Migration & Deployment	78	0	0	0	0	0	78
System Stabilisation	0	23	0	0	0	0	23
Business Analytics	300	0	0	0	0	0	300
Planning & Forecasting	80	0	0	0	0	0	80
Support & maintenance	10	25	0	0	0	0	35
Total	4,671	348	0	0	0	0	5,019
Phase 2 – HR & Payroll Changes							
Programme & Project Management	0	70	0	0	0	0	70

System design, Configuration & Test	0	421	0	0	0	0	421
Business Analytics	0	79	0	0	0	0	79
System Stabilisation	0	0	36	0	0	0	36
Total	0	570	36	0	0	0	606

Overall ERP System Total	4,671	918	36	0	0	0	5,625
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* ICT Support & Maintenance costs in later years funded from other ICT budgets and further potential efficiencies in licensing.

PROGRAMME ATHENA



‘State of Readiness’ Guide for Local Authorities

June 2013

Supporting Document 11 (of 14)– Havering ERP Business Case

London Borough of Havering

Project Title: ERP Business Change and Transformation

Business Case

Version No: v2.0 Final Revised

Issue Date: 14th April 2010

Purpose of this document

The Purpose of this document is to detail the business case for the implementation of an ERP system and associated business change and transformation

VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	26.02.2010	First Draft Version	Jane Quinn
Final	01 March 2010	Final Version	Jane Quinn
Revised	12 April 2010	Revised to remove Bad Debt from Benefits	Jane Quinn

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1. Executive Summary

1.1 Introduction

This OBC seeks approval to invest in the implementation of ERP technology and associated BPRE/Shared Service facility.

1.1 Strategic case

1.2.1 The strategic context

The Council has committed to achieving five goals which collectively will improve outcomes for its communities. Achieving these goals in a period of severe public sector financial restraint will require large scale efficiency and effectiveness improvement across all of the Council's operations.

Currently the Council is progressing a number of transformational programmes and initiatives that will help to support the efficiencies that need to be achieved.

It is important that all the transformation/Change management streams that are currently being progressed should work in collaboration with each other in a joined up and consistent approach. The Capital Ambition/Amttec work that is currently being progressed through the customer services change and transformation review needs to be taken into account and the possibility of working with other internal programmes and projects as well as being able to work externally with other boroughs needs to be considered. The ERP programme as detailed in this business case could provide a comprehensive framework for other authorities to use rather than them developing their own. The technology and the Shared Service could also provide the basis to be able to provide back office services to other organisations.

ERP and Shared Services are one stream within the Council's programme of initiatives to achieve greater efficiencies and could save an approximated 15% - 20% of annual expenditure. The Council engaged with Capgemini to look at if and how some of these efficiencies could be made through the back office functions. The outcome of this review forms the basis for this business case.

1.2.2 The case for change

A review was undertaken in conjunction with Capgemini to look at whether there is a case for change. The review focused on the Finance, HR, Payroll and Procurement back office support functions and included a high level review of back office information and communication technologies. This was supported by collating both quantitative and qualitative data via one to one interviews, online questionnaires, workshops and data templates.

The analysis of the data suggests that the back office support providers are working hard to deliver services to the best of the Council's ability in the context of the current organisation structure, ways of working and supporting technology. However, although the Council have invested some centralised activities which are supported by Oracle in a few functions, the organisation structure, processes, policies and technology have not been optimised. There is often a significant gap between current working practices and what is considered best practice.

- Some back office activities are centralised, e.g. Payroll, but many support and administrative activities are duplicated within each service area e.g. invoice coding and approval, resulting in additional management overheads, pockets of knowledge spread throughout the Council and inefficient use of resources.
- There are pockets of cross functional collaboration but silo working tends to dominate across functions and service areas which prohibit the adoption of standardised processes resulting in inconsistent data quality, knowledge and performance, e.g. recruitment.
- Too much effort is spent on administrative tasks rather than value added activities as there are many time consuming manual/paper based processes, e.g. data manipulation for management reporting, invoice approval and reconciliation of GL journals.
- There are numerous interfaced and non-interfaced point solutions across the back office, which require additional effort and controls to manage the flow of data and maintenance of all the systems, e.g. clearing suspense accounts at period close and double keying of schools HR and absence data.
- The fragmented application landscape coupled with the manual processes and consequent need to manipulate data for reporting makes the production of timely and accurate management information a problem, e.g. the Project reporting packs aren't provided in a timely manner to enable better control and decision making.

These findings are supported by the results of the comparison to independent benchmarks:

Metric	Average	Top Performer	LB Havering
Total cost of the finance function as a percentage of revenue/budget (APQC)	1.1%	0.61%	1.43%
Ratio of HR staff to total employees (APQC)	1:182	1:200	1:46 (exc. Schools HR)
Procurement staff ratio to total employees (Hackett)	1:22	1:200	1:35

Efficiency and effectiveness improvements on the scale needed to achieve the savings target identified above are unlikely to be achieved without transforming the operations, structures and processes in the back office support services. The empirical and observational evidence gathered during the review suggests that the Council is not yet well positioned for change. This is supported by the challenges in collating the quantitative baseline data and the low response rate for the Change Readiness Assessment questionnaire. This is an issue that will need to be addressed in any of the transformational projects.

1.3 Economic case

1.3.1 The long list

The long list of options focused around three main areas:

- Operating Model
 - Technology implementation with associated BPR
 - Creation of a transaction based internal Shared Service
 - Creation of a full Transactional, Operational and Strategic Internal Shared Service Organisation
- Technology
 - Best of Breed
 - ERP
- Implementation
 - Option 1 – Do nothing
 - Option 2 – Transformation and Re-implementation (Big Bang)
 - Option 3 – Phased Transformation and Re-implementation (Core, high ROI modules first, then extended solution)
 - Option 4 – Phased Transformation and Re-implementation (Finance then HR or HR then Finance)
 - Option 5 – Phased Transformation, Upgrade and Extend

From these areas the following short list was Considered

1.3.2 The short list

The following short list of options emerged:

Three options were reviewed against their ability to deliver the challenging savings targets set by the Council:

- Technology implementation with associated business process re-engineering (BPR)
- Creation of a transaction-based internal shared service organization

- Creation of a full transactional, operational and strategic internal shared service organisation

1.3.3 Key findings

The key findings show that the greatest benefits can be gained from implementing ERP with full transactional, operational and strategic shared services. A full analysis of all the options can be found in Appendix 3

1.3.4 Overall findings: the preferred option

The recommended option is to implement a full transactional, operational and strategic internal shared service model underpinned by an Enterprise Resource Planning (ERP) strategy based on Oracle.

1.4 Commercial case

1.4.1 Procurement strategy

The London Borough of Havering already have the software licenses required to implement the Oracle e-business suite modules required to support its ERP/Shared Services initiative.

The services of a third party supplier for the technology implementation and transformation consultancy will be procured through the OGC framework RM713/L4

1.4.2 Required services

The suppliers need to be able to demonstrate the following criteria:

- They will need to be able to work in partnership with the Council to implement and deliver a fully operational Oracle e-business suite 12.1 ERP system consisting of the modules and functionality as detailed under definitions within the Tender document and to facilitate the internal change management/transformation process associated with that implementation.
- They will also need to be able to show that they can lead on or work alongside other Council transformation and change projects that are currently being progressed. Primarily this consists of the Customer Services change and transformation project.

- The provider will also need to be able to show that they can work across at least four boroughs to ensure that they are capable of working towards cross borough working strategy.

The Provider will be responsible for:

- Design
- Technical Set up
- The development and build of the system
- The development, build and implementation of any associated interfaces.
- Data Migration and Data Set up
- Security
- Testing
- Providing advice and guidance on processes and procedures
- Training
- Knowledge Transfer
- Facilitation of the associated Transformation and Change Management

The assessment criteria is set out in the method statement of the Tender document

1.4.3 Potential for risk transfer and potential payment mechanisms

Payment will be subject to deliverables and acceptance criteria will be agreed at the commencement of the Contract.

Any risk transfer will operate on the principle that risks should be passed to 'the party best able to manage them', subject to value for money.

1.5 Financial case

1.5.1 Financial expenditure

A summary of the financial appraisal can be seen in the following table:

	Technology implementation with associated BPR		Transaction-based Internal Shared Service		Full Transactional, Operational and Strategic Internal Shared Service	
	5yrs	10yrs	5yrs	10yrs	5yrs	10yrs
Cumulative Benefits	£5,719	£12,979	£15,102	£35,716	£21,413	£50,126
Cumulative Project Costs	£5,360	£6,777	£6,169	£7,586	£6,169	£7,586
Net Cumulative Benefits	£358	£6,202	£8,932	£28,129	£15,243	£42,540
ROI / Payback	51 Months		27 Months		21 Months	

These initial options were revised to remove the provision originally included for Bad Debt. The revised benefits were:

	Technology implementation with associated BPR		Transaction-based Internal Shared Service		Full Transactional, Operational and Strategic Internal Shared Service	
	5yrs	10yrs	5yrs	10yrs	5yrs	10yrs
Cumulative Benefits	£5,719	£12,979	£15,102	£35,716	£19,353	£46,336
Cumulative Project Costs	£5,360	£6,777	£6,169	£7,586	£6,169	£7,586
Net Cumulative Benefits	£358	£6,202	£8,932	£28,129	£13,184	£38,750
ROI / Payback	51 Months		27 Months		21 Months	

A more detailed evaluation of the preferred option ROI can be seen the following tables:

Including Bad Debt provision:

Affordability/Payback Model (£,000) - More Conservative Transformation (10 Months to Go-Live)												
Activity	Development Year	Go-live Year	<<< Operational Years >>>									
	Yr 0 2009/10	Yr1 2010/11	Yr 2 2011/12	Yr 3 2012/13	Yr 4 2013/14	Yr 5 2014/15	Yr 6 2015/16	Yr 7 2016/17	Yr 8 2017/18	Yr 9 2018/19	Yr10 2019/20	11 Year Total
External												
Implementation Services	£3,000	£0	£0	£1,250	£0	£0	£0	£0	£0	£0	£0	£4,250
Transformation Services	£850	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£850
Additional Software Licences												
- SOA*1	£167	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£167
- Apps Mgt Pack*1	£40	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£40
- Oracle Testing Suite*2	£23	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23
- Oracle Project Mgt*3	£0	£0	£0	£40	£0	£0	£0	£0	£0	£0	£0	£40
Additional Software Maint												
- SOA*1	£37	£37	£37	£37	£37	£37	£37	£37	£37	£37	£37	£407
- Apps Mgt Pack*1	£9	£9	£9	£9	£9	£9	£9	£9	£9	£9	£9	£99
- Oracle Testing Suite*2	£5	£5	£5	£5	£5	£5	£5	£5	£5	£5	£5	£55
- Oracle Project Mgt*3	£0	£0	£0	£9	£9	£9	£9	£9	£9	£9	£9	£72
Hardware*4	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Hardware and Software Upgrade	£0	£0	£0	£0	£0	£0	£1,000	£0	£0	£0	£0	£1,000
External Investment in Year	£4,131	£51	£51	£1,350	£60	£60	£1,060	£60	£60	£60	£60	£7,002
Internal												
Implementation Services	£475	£0	£0	£115	£0	£0	£100	£0	£0	£0	£0	£690
Transformation Services	£283	£0	£0	£75	£0	£0	£0	£0	£0	£0	£0	£358
Technical Infrastructure Cost*5	£19	£0	£0	£11	£0	£0	£19	£0	£0	£0	£0	£49
Internal Investment in Year	£777	£0	£0	£201	£0	£0	£119	£0	£0	£0	£0	£1,097
Total Investment in year	£4,908	£51	£51	£1,550	£60	£60	£1,179	£60	£60	£60	£60	£8,099
Cumulative Investment	£4,908	£4,959	£5,010	£6,560	£6,620	£6,680	£7,859	£7,919	£7,979	£8,039	£8,099	£8,099
Cumulative Benefits*6	£0	£1,958	£5,330	£10,330	£15,670	£21,413	£27,155	£32,898	£38,641	£44,383	£50,126	£50,126
Net Benefits	-£4,908	-£3,000	£320	£3,770	£9,050	£14,733	£19,297	£24,979	£30,662	£36,344	£42,027	£42,027
*1	Including 42% OGC discount and all products bought at same time. Assuming 2 x dual core processors in Production and 1 x dual core processor for Development environments											
*2	Including 42% OGC discount and all products bought at same time. Based on named users (5 for functional testing and 50 for load testing)											
*3	Assuming 50 Users											
*4	Assumes no new hardware required											
*5	Includes technical infrastructure resource cost only, not the provision of hardware which is assumed to be a sunk cost											
*6	Cumulative Benefit figures do not include the cost of a redundancy programme and this would have to be added to the ROI matrix											

Excluding Bad Debt Provision:

Activity	Development Year 0	Year 1 - 2010/11	Year 2 - 2010/2	Year 3 - 2010/13	Year 4 - 2010/14	Year 5 - 2010/15	Year 6 - 2010/16	Year 7 - 2010/17	Year 8 - 2010/18	Year 9 - 2010/19	Year 10 - 2010/20	Year 11 Total
External												
Implementation Servoces	3,000	0	0	1250	0	0	0	0	0	0	0	4,250
Transformation Services	850	0	0	0	0	0	0	0	0	0	0	850
Additional Software Licences												
SOA	167	0	0	0	0	0	0	0	0	0	0	167
Apps Mgt Pack	40	0	0	0	0	0	0	0	0	0	0	40
Oracl Testing	23	0	0	0	0	0	0	0	0	0	0	23
Oracle Project Management Module	0	0	0	40	0	0	0	0	0	0	0	40
Additional Software Maintencnace												
SOA	37	37	37	37	37	37	37	37	37	37	37	407
Apps Mgt Pack	9	9	9	9	9	9	9	9	9	9	9	99
Oracl Testing	5	5	5	5	5	5	5	5	5	5	5	55
Oracle Project Management Module	0	0	0	9	9	9	9	9	9	9	9	72
Hardware												
Hardware and Software Upgrade	0	0	0	0	0	0	1000	0	0	0	0	1,000
External Investment Year 1	4,131	51	51	1,350	60	60	1,060	60	60	60	60	7,003
Internal												
Implementation Services	475	0	0	115	0	0	100	0	0	0	0	690
Transformation Services	283	0	0	75	0	0	0	0	0	0	0	358
Technical Infrastructure Set Up	19	0	0	11	0	0	19	0	0	0	0	49
Internal Investment in Year	777	0	0	201	0	0	119	0	0	0	0	1,097
Total Investment per Year	4,908	51	51	1,551	60	60	1,179	60	60	60	60	8,100
Cumulative Investment	4,908	4,959	5,010	6,561	6,621	6,681	7,860	7,920	7,980	8,040	8,100	
Cumulative Benefits	0	1,539	4,481	8,968	13,956	19,353	24,749	30,146	35,543	40,940	46,336	46,336
Net benefits	-4,908	-3,420	-529	2,407	7,335	12,672	16,889	22,226	27,563	32,900	38,236	38,236

1.5.2 Overall affordability and balance sheet treatment

A full benefits realisation plan will need to be produced and clear KPI's and management will be required to ensure that the benefits can be and are realised.

The potential savings will only be realisable through a structures and appropriately resourced transformation programme focussed on embedding the cultural, organisational and process change consistently across the Council. In the context of the current level of readiness and culture the organisation, the achievement of a successful transformation and realisation of benefits will be challenging. In particular it will require:

- Strong leadership, governance and commitment from senior management to push decisions and changes through quickly. There should also be joined up governance across all Council transformation programmes
- Representation from your implementation partner at all levels of governance to ensure a consistent approach and messages through the whole transformation team
- Strong stakeholder management and communication to maintain momentum, e.g. unions, redundancy
- Highly capable people to manage the change
- The Council to seek innovative solutions to reduce the effort required to deliver the technical system so that focus can be placed on the business transformation and benefits realization

Although challenging, the recommended option will result in a more efficient, effective and responsive organisation that will be better positioned to face the financial pressures likely to arise in the future through:

- Customer focused service delivery
- Best practice organisation structure, processes and policies standardised across all customers
- A more knowledgeable and flexible workforce to deploy in response to variable demand
- The provision of a platform for LBH to offer as an external shared service if required.

Havering are not the only Council or government organisation that have had to consider transformational change and the challenges that comes with that. Those Councils that have already undergone ERP and shared services transformation have identified and achieved significant efficiency gains and cashable savings.

- With similar to the goals of LBH, Gloucestershire County Council embarked on a journey of Back Office Transformation, focusing on internal shared services for Financials, HR and Procurement. From the outset of the programme, Gloucestershire identified £18m in savings over 3 years and £65m over 10 years. In the areas of Procurement alone, the Council identified £9.2m in savings over a 3 year period. As the programme progressed, an additional 20% of cashable savings were identified. Within the first year, Gloucestershire recognised £5m in cashable savings.
- West Sussex embarked on a Financials, HR, Payroll and Procurement Transformation Programme identifying from the outset £5.4m in savings per annum.
- Derbyshire County Council identified and quantified specific benefit estimates that they believe will be delivered by the new Back Office system, in the range of £1.9m and £5.3m p.a.
- The Foreign and Commonwealth Office built a global central Finance, HR, Procurement & Payroll system to deliver services to over 16,000 UK based staff and an overseas network of over 200 diplomatic offices and delivered a massive 15% reduction in costs.

1.6 Management case

1.6.1 Project management arrangements

The Project will be managed in accordance with Prince 2.

1.6.2 Benefits realisation and risk management

Benefits realisation and risk management will be managed by the programme manager and programme board.

1.6.3 Post project evaluation arrangements

Post project evaluation arrangements will be managed by the programme manager and programme board.

1.7 Recommendation

In summary LBH have an opportunity to transform the Council to be more efficient and effective in the current climate of financial restraint. With commitment, strong leadership and governance from senior management the Council can achieve a strong contribution to the overall annual savings target with the transformation of the back office.

The recommendation is that the Council implements the Oracle technology and transforms their back office functions to a shared services model.

Signed:

Date:

**Senior Responsible Owner Project
Project Team**

2. The Strategic Case

2.0 Introduction

This Business Case is for the implementation of Oracle e-business suite ERP and associated BPRE/shared service set up.

Structure and content of the document

This Business Case as been prepared in accordance with the London Borough of Havering's requirements and comprises the following key components:

- the **strategic case** section. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
- the **economic case** section. This demonstrates that the organisation has selected the choice for investment which best meets the existing and future needs of the service and optimises value for money (VFM)
- the **commercial case** section. This outlines the content and structure of the proposed deal
- the **financial case** section. This confirms funding arrangements and affordability and explains any impact on the balance sheet of the organisation
- the **management case** section. This demonstrates that the scheme is achievable and can be delivered successfully to cost, time and quality.

Part A: The strategic context

2.1 Organisational overview

The London Borough of Havering (LBH) is committed to achieving efficiency and cost savings to ensure that its customers are provided with the maximum value for money whilst at the same time delivering efficient and effective services that deliver positive outcomes.

In common with many Council's it is, however, clear that in a time of near crisis in public sector funding and long term financial constraint, the Council will be unable to invest in front line services unless large scale efficiency savings can be made in its corporate and back office support activities.

Efficiency and effectiveness improvements on the scale needed are unlikely to be achieved without transforming the operations, structures and processes used in support services. This can only be achieved by harnessing the power of modern ICT, combined with effective programme and change management, to transform operations and processes.

A review of the Council's current ways of working was carried out focusing on Finance, HR and Payroll, and Procurement back office support functions. A high level review of back office information and communication technologies was also undertaken.

Qualitative and quantitative data was collated that underpins the recommendations contained within this business case

2.2 Business strategies

The Council has a number of programmes and initiatives to achieve greater efficiencies which hope to achieve savings approximated 15% - 20% of annual expenditure. As part of that programme the Council has looked at a number of transformation and efficiency saving initiatives including the implementation of an ERP system to support its back office functions and the introduction of a shared service facility to support those services.

The Council is currently progressing a number of transformation objectives which fall within the modernising and efficiency agenda which include:

- Customer Services
- PLACE
- Adult and Children's Services
- Corporate Services (ERP)

This Business case has been prepared to consider ERP and Shared Services specifically. However, it also recognises and takes into account the need to work cross functionally with the other transformation initiatives as well as understanding the need to work collaboratively with other Local Authority Organisations.

The Business case shows how Havering can drive forward efficiencies and lead the way for other organisations in collaborative working by implementing a Shared Service operating model for its back office functionality supported by Oracle ERP technology.

Part B: The case for change

2.4 Investment objectives

The objectives for this project are as follows:

- To replace existing software with a fully integrated ERP system reducing the need for costly maintenance, upgrading, interfaces etc.
- To have a fully operational platform capable of operating services for other organisations thus leading the way in cross borough working objectives

- To make efficiencies by streamlining the current ways of working with the help of the technology
- To free up back office employees so that they can concentrate on delivering front office services.
- To ensure Customer focused service delivery, to ensure standardised best practice organisation structure, processes and policies

2.5 Existing arrangements

The existing arrangements were looked and reviewed to consider whether there was a need for change.

A review was carried out to look at the Council's current position focussing on the following functional areas:

- Finance and Asset Management
- Project and Portfolio Management
- HR and Payroll
- Procure to Pay
- Business Intelligence
- Information and Communications Technology (ICT).

For each functional areas the following was considered:

- Change Readiness
- Governance and Strategic Alliance
- Benefits Realisation
- Transformation Approach
- Process and Organisation
- Oracle
- Infrastructure
- ERP

A summary of the results of the functional assessment are presented below in the form of an assessment. Further supporting information showing comparative metrics between proven performance indicators and the Councils current performances and a comparative assessment of the Council against best practice can be found in Appendix 2

Finance and Asset Management

Current Assessment and Needs Summary

The Council's Financial and Operating systems and process are highly devolved with the outlying Services employing a number of specialised, point-solution systems, geared to specific activities and requirements. Some of these systems also cover 'back-office' functionality, for example the raising of Purchase Orders, or the recording of Supplier Invoices. In particular, there are a variety of different systems

and processes used to generate and record Revenue across the Council, including Council Tax (Academy), Highways (Mayrise) and Libraries system. Although these systems may undertake back-office tasks, they are not necessarily seamlessly integrated into the core back-office systems.

The distributed nature of these functions in LB Havering has meant that, as Services processes have developed, the levels and methods of integration with the core accounting systems have become varied in their style, effectiveness and efficiency. The distributed processing systems and lack of consistent Integration has resulted in a reduced ability to capitalise on the benefits of using a highly integrated ERP (Enterprise Resource Planning) software solution such as Oracle e-Business Suite(EBS). An ERP solution enables the linking of a set of modules which can describe the end-to-end processing of a business or financial transaction. It makes efficient use of centralised, shared data, rules and parameters, and eliminating the need for duplicate data entry. In the Council's Finance function there are a number of areas where the lack of coherent integration is apparent, including visibility of committed spend, Bank Reconciliation and Asset Accounting.

As a consequence of this there is no clear view of committed spend which restricts productive analysis of actual spend against budget. Consequently local Service managers maintain their own local records of committed expenditure on spreadsheets, and often require support from Corporate Finance to forecast and manage their budgets. This information is used in the generation of the monthly forecast, an extremely time-consuming process at present, resulting in a prolonged 5 to 6 week timescale to produce the period-end reports for submission to the CMT and the Members. The current iProcurement system has the ability to report Commitments, but only if it is used consistently for raising Purchase Orders for the vast majority of Purchase transactions. The current rollout of iProcurement has not yet achieved this.

The Bank Reconciliation function currently relies upon a custom-developed system ('Cheque Collation') which takes transactional data from various systems through custom interfaces in order to match against Bank Statement information. The Oracle solution contains a Cash Management module which can automatically view payment data from AP, AR, Payroll and GL and perform the Bank Statement reconciliation according to predefined criteria. Moving both AR and Payroll onto Oracle would provide a standardised integral solution reducing the dependence on external interfaces, and the Cheque Collation system would no longer be needed.

There is no single view available of the capital assets of the Council, in the form of a central Asset Register. A number of separate, non-linked systems are used, and updates to the GL (particularly depreciation) only occur once annually, rather than monthly as per leading practice.

This lack of integration may also contribute to the perceived difficulty of providing a full accounting close each month (a Balance Sheet is only currently available at Year-end).

We recommend that the Council follows a course of action which will provide a greater level of integration in its Finance, Revenue and Asset systems, which in turn will bring about a more efficient end-to-end financial process. Whilst we recognise that in some cases specific systems are absolutely required to manage certain processes (obvious examples being Academy for Council Tax, PARIS for Cash Receipting, and Servitor for DLO Job Costing), every effort should be made to maximise the use of the central ERP software's capabilities. This will allow for greater consistency of data quality, greater ability to capitalise on standard available functionality (e.g. Commitments, Accruals, Bank Reconciliation, and checks upon accuracy of journal postings), and the removal of double-keying and manual and spreadsheet-based processes.

Project and Portfolio Management

Current Assessment and Needs Summary

The council run an annual project portfolio of approximately £65M. There are 473 active projects on the current capital project monitoring spreadsheets being run across the Directorates ranging from minor communications or IT improvements to major housing and regeneration projects. Whilst this represents a sizeable project portfolio, the council are still developing their project and portfolio management (PPM) capability and the current IT systems do not support effective operational and financial project control.

There are several notable weaknesses that need to be addressed in order for the council to gain better control over their project planning and delivery:

- Due to a lack of detail and completeness of project information in the General Ledger, project managers need to maintain local spreadsheet systems to track project commitments, spend and accruals. As a result, the consolidation of information into project reporting packs at the project, service, Directorate and Council wide level is cumbersome and prone to human error.
- Similarly, operational and delivery related controls and measures such as risks, issues, change requests and progress are managed on local spreadsheets again resulting in manual consolidation, lack of visibility and delays in decision making.
- Planning and estimating of projects is not carried out consistently across projects and the lengthy manual approval process for projects often means that project plans are too optimistic.
- As a result of the lack of common processes and systems for project management, it is difficult to get a true picture of the total current and planned project activity, which inhibits portfolio management decision making.

The implications are that project planning and delivery is not effectively or efficiently controlled. The year on year under spend against capital forecast provides a clear sign that projects are not being delivered on schedule and therefore not delivering the benefits to the borough as early as planned. The disparate manual information and reporting systems both divert project management time from project delivery and fail to deliver project information in time to enable better control and decision making. The lack of a consolidated view of planned project activity prevents a 'reality' check of the demand versus delivery capacity. It also prevents the strategic modelling required to select the optimum set of projects to deliver the maximum benefit.

There is a need for a project costing, management and planning solution that is: integrated with the ERP tools; provides efficient real time reporting on project costs; introduces the controls required to support effective project delivery; supports strategic decision-making across the project portfolio.

HR and Payroll

Current Assessment and Needs Summary

The Council manages a large number of complex HR/Payroll business processes that are inadequately supported by their information systems. With the exception of the existing Cyborg Payroll system, there is no other large scale and organised source of Payroll or HR information available to the Council. All other HR business processes, including strategically important processes such as Recruitment, Performance and Learning Management, rely upon cumbersome manual procedures.

The fragmented and (Payroll excepted) manual nature of the Council's systems has led to disjointed business practices and procedures. Management approvals for recruitment activity are protracted and poorly controlled, and there are a number of areas where obvious duplication of effort remains unresolved (e.g. duplicate personnel files, manual recruitment activity for applicants, double keying of schools' HR and absences data, multiple keying of timesheet data, no resolution of the Payroll costing to GL mapping problems).

The lack of an integrated system to support key business processes in both HR and Payroll means that effective quality assurance and policy enforcement is not practicable. Re-keying of data requires extra effort and has increased the risk of data error and degraded data quality over time in Cyborg. There is little or no timely management information available, and it is extremely costly to produce the current management information packs. The Council cannot maximise the potential and productivity of their workforce without good information about the skills, qualifications, competencies and aspirations of their staff.

The Council needs an integrated organisational structure and system to support efficient end to end business processes for HR, Recruitment, Performance Management, Learning Management, Time Recording, Payroll and Management Reporting with a single data source used by all business processes.

Procure to Pay

Current Assessment and Needs Summary

The Business Development Unit (BDU) is a small centralised team that manage 17 corporate contracts and support other Service Lines who tender for and manage 100+ contracts. BDU is also delivering a number of tactical improvements which will help make some efficiency savings for the Council, e.g. Comensura Agency Service, BT One Bill and eProcurement are being rolled-out across the Council. Their 3 year strategy is aligned with the Council's business strategy and the team has developed policies and processes that should be followed by the Council to procure goods and services.

Our review has identified a number of challenges faced by the existing structure and service provision. The most significant ones are highlighted below:

- Although a centralised BDU and Payments team exists, there are a significant number of resources within the Service Lines that are responsible for procurement and accounts payable activities, e.g. tendering for and managing over 100 contracts; coding and approval of approximately 40,000 paper based invoices; resolution of supplier queries.
- The Council utilises an Excel based spreadsheet to monitor contracts, spend commitments and record the completion of supplier performance reviews. Whilst the BDU team proactively monitor the 17 corporate contracts, it is not easy to control and monitor the 100+ contracts managed outside of the BDU as the Council is reliant on the Contract Monitoring Officers (CMO). As a result, there is inconsistency in the frequency and quality of the contract monitoring which presents an unknown level of risk to the Council.
- Subscription based eAuction tools have been used, e.g. for the new stationery contract and the use of an eTendering tool has been investigated. Although an eProcurement tool is currently being rolled out, it is limited in terms of users and categories of spend available. There is no 'mandate' from senior management to use the system. There is no published 'eProcurement' strategy to provide direction for the implementation and detail how the Council and its employees will benefit from it.
- The majority of the purchase-to-pay process is paper / manual based, e.g. telephone orders and paper invoices which are manually coded and approved within the service lines. There are a number of 'channels' that can be used to procure goods and services, e.g. telephone, fax, supplier website and eProcurement.

Although it is necessary for an element of procurement and accounts payable activities to be performed by resources within the Service Lines, e.g. tender requirements definition, self-service requisitioning and supporting the resolution of invoice holds, the current volume of these activities leads to an inefficient use of resources. The cost of delivering the procurement and accounts payable service is higher than leading practice.

The devolved management of many contracts within the Council and lack of an enterprise wide contract management and procurement system has resulted in a lack of visibility of spend in a timely manner and at the right level. As a result, it isn't possible to ensure the standardised procurement policy and processes implemented by the BDU are followed. This increases the risk to the Council in terms of maverick spend, lack of adherence to regulations, lack of control and ultimately increased costs.

The implementation of an eProcurement solution to manage spend within the Council is a good step forward. However, only about £1m (1.98%) of influenceable spend (excluding social care & learning, schools and highways) of £54,415,767 is currently processed through the eProcurement system. As spend continues to be processed outside of the system, the Council is suffering from reduced control (e.g. no approval before purchase or ability to influence spend before commitment) and process inefficiencies (e.g. limited self-service and automated matching of electronic invoices). Experience suggests that savings of at least 1%-3% of annual spend can be achieved by ensuring purchases are processed through an eProcurement solution through the reduction of maverick buying and process efficiencies. Further savings can be achieved through the use of the management information provided by the eProcurement tool to negotiate better deals. Assuming an additional £50m of influenceable spend is purchased through the eProcurement system; estimated annual savings are £0.5m to £1.5m.

The lack of timely and detailed management information makes it difficult for BDU to control purchases and analyse spend. Such information holds the key to a range of significant benefit areas such as driving higher degrees of standardisation, aggregation across Service Lines, reviewing supplier performance and identifying opportunities for savings.

In the current economic environment where the Council needs to do more for less, Procurement is expected to deliver significant, tangible and rapid cost reductions in third party spend (£10m savings 2009-12) with fewer resources. In order to help deliver these savings, it's important that a flexible organisation structure is put in place with Procurement represented at senior level boards and forums. Whilst we recognise that in some cases, point solutions are required to manage certain spend, e.g. p-Cards and Comensura, every effort should be made to maximise the use of Oracle's ERP capabilities to support achievement of the Council's saving's target.

We recommend that the Council follow a course of action to deliver a greater level of integration and automation across the Procurement and Finance Service Lines and source-to-pay processes to drive 70%-80% of spend through the system. By doing this, the council will benefit from:

- Economies of scale (less resources doing more);
- Improved visibility, influence and control of contracts and spend in a repeatable, real-time and proactive fashion;
- More efficient and automated source-to-pay processes removing paper and manual inputs;
- Improved savings as more spend is channelled through negotiated contracts;
- Improved negotiating position with suppliers.

Business Intelligence

Current Assessment and Needs Summary

The Council use a variety of software products, spreadsheets and databases to produce management information. A strategic view of information or reporting tools does not exist and there is no single reporting platform to give a consistent view of data across the business. The reporting tools that are in place are loosely integrated and the use of applications such as Excel to manipulate data is common. Havering Performs (HP) is the Performance Management tool used to report upon Service KPIs; Oracle Discoverer is used to produce monthly financial information; it takes two FTE's a month to create the HR monthly performance packs using Excel with input data from Cyborg Payroll system. A new system for Planning, Budgeting and Reporting is currently being implemented. This is intended to replace the role of Discoverer in generating month end Budget Monitoring reports.

The fragmented nature of Council systems means that the availability of data for reporting can be limited. The production of reporting packs is time consuming, requires manual intervention and data has to be collated from several different sources. Quarterly Members packs are not currently linked with Financial data, Head of Service packs are manually constructed, containing information from a variety of sources and HR data is pasted into spreadsheets in order to produce key business metrics. There are plans in place to link Havering Performs with the new Collaborative Planning tool which would mean that Members Packs contain financial data, but this work has yet to commence.

The current information and reporting landscape at the Council means that a significant amount of time is spent manipulating information into reports appropriate for the business. As reports such as the Head of Service pack are manually created, this can mean that it is out of date almost as soon as it is published. A large

proportion of effort is also spent analysing information in order to identify problem areas and exceptions, as seen with the creation of the HR performance report. This means that there is less time to proactively manage these areas of exception and more time is spent on the administrative task of producing the reports.

A cohesive information strategy based around Council objectives and a specific technology would help generate focus on management information. A business intelligence tool such as Oracle Business Intelligence (BI) would provide the Council with the capability to build a single reporting platform, enabling a cohesive view of information across the Council. This comprehensive view of information would give visibility and insight into the current business processes, reduce the amount of time spent manually creating reports and provide each employee with relevant, up to the moment and actionable intelligence. This in turn leads to more effective business processes supported by better and quicker decisions.

Information and Communications Technology (ICT)

Current Assessment and Need Summary

The Council does not currently have a comprehensive and documented ICT strategy which is strategically aligned to the Council's Forward Plan. Although an IS Strategy exists, it has not been updated since June 2008, and does not present an up-to-date strategic view on how ICT will be aligned to future business needs¹. It does not appear to have full visibility with senior management across the Council. Support for existing back office systems is carried out in house by Council employees. Recent investment in hardware by the Council has provided the capability to run additional services.

The intention to undertake a transformation programme that involves the implementation of additional Oracle modules will place higher dependence on ICT infrastructure and systems. Although the new Council hardware has been configured solely to run the existing services, Capgemini has consulted with IBM Hardware Solution consultants who have confirmed that the new IBM P570 server will comfortably support the enhanced Oracle solution. The Council may need to consider, however, a separate hardware solution for Business Intelligence (BI) and the anticipated significant increase in processing requirements that would arise from its implementation. There are also a number of 'non-corporate' solutions in place at the Council which are not supported by ICT and inadequate support arrangements are often put in place by the business.


The implementation of a larger Oracle footprint may mean that current support processes for back office will not be sufficient. As part of the move to Shared Services, the Council should look to develop an Oracle Competency Centre to




manage such areas as Compliance, Control and Master Data Management. The Council needs to review its license agreements to ensure that it will not be in breach of Oracle support or commercial agreements.

The creation of an encompassing ICT strategy aligned to the Council's Forward Plan would ensure that a rigorous governance framework is in place to support future ICT decisions. The extent to which the new hardware will meet future requirements will need to be ratified by a formal sizing review but initial thoughts are that there is potential capacity to run extra applications and support additional users. The current support model will need to be extended, staff will need to be up-skilled, service level agreements and processes defined. In addition, Oracle licensing will need to be reviewed to ensure that Oracle EBS and Oracle Enterprise database licences are not exceeded. This should be undertaken in the context of the new ICT strategy.



2.6 Business needs

The review of current performance shows that there are significant improvements that could be achieved when compared to independent benchmarks. The following table provides a summary of those findings in Finance, Projects, HR and Procurement. Supporting evidence comparisons and calculations can be found in appendix 2.



Metric	Average	Top Performer	LB Havering	Commentary	Assessment
Finance					
Total cost of the finance function as a percentage of revenue/budget (APQC)	1.1%	0.61%	1.43%	Reflects the volume of work conducted outside the Finance function due to the complex manual processes and fragmented solution set, e.g. creation of invoices, invoice coding and approval. This also results in additional management overhead and pockets of knowledge spread throughout the Council.	

Metric	Average	Top Performer	LB Havering	Commentary	Assessment
Average days sales outstanding (Debtor Days) (APQC)	38d	25.5d	28d (sundry debt only)	Although the debtor days for sundry debt compare favourably with top performance, there is significant room for improvement when other debtors are included - 88d (all except CTax) and 43d (CTax). Bad debt provision of £18.4m (08/09) is also high.	
Personnel cost of the process "process accounts receivable" per £1,000 revenue (APQC)	0.23	0.09	1.62	The Council has a significant opportunity to reduce the AR processing costs and this again reflects the volume of work conducted outside the Finance function	
Projects					
Cycle time (days) for the creation of consolidated monthly project reporting pack (Capgemini Operational Research)	15	5	30	Twice the amount of effort is required to produce project reporting packs than the average performing organisation. Mainly due to the use of manual, spreadsheet based tracking and monitoring tools.	

Metric	Average	Top Performer	LB Havering	Commentary	Assessment
HR and Payroll					
Ratio of Payroll Staff to total employee base (APQC)	213	1:249	1:563 inc Schools employees 1:174 exc Schools employees	This suggests the Council are performing well in comparison to other organisations. Based on Council payroll of 9,000 (includes schools based and external payrolls but excludes pensions) and a Payroll team of 16 (from baseline data). However, if schools employees are removed, the ratio would be 1:174 (based on 2780 employees) which suggests there is room for improvement	😊
Cost Per Payslip (Capgemini Research 2008)	N/A	£1.10	£3.75	We believe that the Council provided figure (£0.20) is understated. The cost per payslip figure suggests that that savings can still be made in managing and processing payroll.	😊

	Average	Top Performer	LB Havering	Commentary	Assessment
Ratio of HR staff to total employees (APQC)	1:182	1:200	1:46 (exc. Schools HR)	The baseline data analysis shows that the Council provided figure (1:140) is understated and there is considerable room for improvement which is reflected in the interview and workshop feedback, e.g. recruitment, performance mgt, absence reporting.	
Costs of HR service per employee (Hackett 2006)	£1864	£1614	£1799 (exc. Schools HR)	This benchmark confirms there is considerable opportunity for efficiencies in HR. Although the benchmark suggests that the Council is a better than average performer, it doesn't take into account that there are a number of HR activities that aren't provided, therefore reducing the costs.	

Metric	Average	Top Performer	LB Havering	Commentary	Assessment
Procurement					
Procurement staff ratio to total employees (Hackett)	1:22	1:200	1:103	The actual ratio for the Council is lower than reported as the central procurement team support Schools procurement activities but the schools employees are not included in this calculation. Even so, the Council are performing above average but there is still an opportunity for efficiencies, e.g. reduction in manual processes through self-service procurement and centralised contract management.	😐
AP Costs as a percentage of revenue (Perform! World Ltd)	0.1%	0.05%	1.62%	The Councils AP costs are higher than average which reflects the manual, paper based process followed for many invoices.	😞
Percentage of annual spend on Procurement Operations (Hackett)	0.82%	0.63%	0.44%	Although this benchmark suggests good performance, it's showing an under investment in Procurement compared to top performing organisations.	😐

Metric	Average	Top Performer	LB Havering	Commentary	Assessment
AP Cost per Invoice (APQC and Hackett)	£3.90	£1.54 £0.45 for Shared Service	£4.01	The Council have made significant improvements over the last few years reducing the number of invoices from 150k pa to 85k pa. However, the cost of processing is still high reflecting the volume of manual, paper based invoices that need to be processed (40k pa).	
T&E Department Cost per Expense Report (PwC)	£8.95	£4.39	£4.90	Once a paper based expense report has been received by Payroll, there is an efficient process to check, create the payment and file the claim. However, this benchmark doesn't capture the time and effort it takes for the claimant to create a paper based claim, get it approved and then post to the Payroll team. Based on 9600 expense reports pa.	

2.7 Potential business scope and key service requirements

The potential scope for this project covers the implementation of ERP technology and the associated BPRE and or the implementation of a shared service facility.

2.8 Main benefits criteria

A number of benefits outcomes from the ERP and shared service implementation have been highlighted and are detailed in the following table:

Finance

- Improved financial planning and management
- Reduced FTE required for transactional processing and support activities
- Improved asset management
 - Reduced maintenance costs
 - Optimised asset replacement
 - Auditability
- Improved cash management

Project and portfolio management

- Improved project delivery aligned to business objectives

HR and Payroll

- Reduced FTE required for support activities
- Reduced Recruitment overheads
- Employee ownership/empowerment of professional development
- Improved competency and skill levels of workforce
- More effective and timely workforce planning and decision-making

Procurement

- Reduced purchase price due to compliance
- Reduced FTE required for Procurement support activities
- #Improved response to customer with reduced effort from customer
- Reduced risk of exposure due to inadequate Ts and Cs
- More effective strategic procurement planning and decision-making

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits:

Strategic Benefits

Preferred Option – Benefits

The Recommended option will result in the highest level of realisable benefits in comparison with the other options. It will also result in a more efficient and effective, more responsive organisation that will be better positioned to face the financial pressures the Council will have to face.

The benefits include:

Phase 1 of the implementation will provide immediate operational benefits to the Councils staff and managers:

- Front line staff will be freed from back office duties
- Real time cross functional data on demand will ensure more accurate and up to date management information is available at the touch of a button.

- Fewer complicated interfaces will ensure greater accuracy across functions
- A single point of entry with that point of entry being closest to the source will ensure greater continuity, less margin for error and more up to date data is available
- Business Intelligence will provide managers with usable, reliable and accurate information
- Streamlined processes will afford greater efficiencies and better ways of working with information only being entered once and by the most appropriate people
- Manual and paper based processes will no longer be required ensuring efficiencies to be realised across the organisation
- Service delivery will be more focused on the Customer
- Best Practice processes and policies will be standardised across all service areas
- Service Level agreements will be applied which are comparable across all service areas
- Staff Members will become more knowledgeable about the business and provide a more flexible workforce to deploy in response to variable demand.

Phase 2

By including operational and strategic activities additional economies will be made through staff reduction, increased productivity and enhanced control of Key resources. This will provide the greatest potential to relieve professional staff, engaged in front line service delivery, of non core support activity. For example:

- The centralisation of management accountancy and centralisation of policies being applied consistently will result in greater budgetary control, less duplication through checking and ensuring budget ownership at budget holder level.
- In procurement more proactive leveraging of the Council's spending power can be consolidated.

The estimated costs and benefits of each option over 5 and 10 years are shown below:

	Technology implementation with associated BPR		Transaction-based Internal Shared Service		Full Transactional, Operational and Strategic Internal Shared Service	
	5yrs	10yrs	5yrs	10yrs	5yrs	10yrs
Cumulative Benefits	£5,719	£12,979	£15,102	£35,716	£21,413	£50,126
Cumulative Project Costs	£5,360	£6,777	£6,169	£7,586	£6,169	£7,586
Net Cumulative Benefits	£358	£6,202	£8,932	£28,129	£15,243	£42,540
ROI / Payback	51 Months		27 Months		21 Months	

2.9 Main risks

The required process and cultural transformation to migrate from the existing silo-based and functional structure to a multi-functional and virtual shared services model presents a significant. Simple and strong governance, active stakeholder management and transformation support will be essential to manage any additional tensions in the organisation which may arise if the benefits are to be realised. Experience on other projects suggests that this is the main reason projects fail to deliver. Moreover, the Council should seek innovative solutions to reduce the effort required to deliver the technical solution so that focus can be placed on the business transformation and benefits realisation.

It is critical to ensure that the programme achieves its full benefits including efficiency savings and service improvements. The development of a benefits realisation plan, with clear ownership of the benefits and active benefits KPI-based tracking based on real data will enable the project to take appropriate action to ensure the realisation of benefits, e.g. ratio of HR employees to total employees or period end cycle time. The focus should be on those benefits providing the greatest performance improvements. It is important to recognise that a piecemeal approach is not viable, e.g. technology only or process change first – it has to be a transformation project where ERP and shared services are implemented together or the benefits won't be realised. The cost-benefit relationship between ERP and shared services is illustrated in the below:

Economic Model		
	Cost	Benefit
ERP	80	20
Shared Services	20	80

The other transformation projects at the Council may distract management and resource effort from this project. These impacts will need to be managed within an overall governance framework so that they can be anticipated and effectively managed.

Lack of engagement and buy-in by senior and middle managers will jeopardise the success of the transformation. Active and targeted stakeholder management supported by effective communications engagement will be critical from the outset.

Separating the transactional functions from the operational and strategic functions can result in a division of responsibility and confused priorities that adversely affect overall efficiency and effectiveness. A clearly defined and implemented role based performance support strategy will minimise the impact of any post-implementation performance dip.

2.10 Constraints and Dependencies

Culture

Sponsorship for the change is currently being driven by the Director of Finance and Commerce, as this is the Directorate that will be most fundamentally impacted by the change. The other directorates are also significantly impacted, and their co-operation and support will be critical for success.

A low willingness to co-operate with information gathering initiatives for the review was experienced in a number of areas of the business, as evidenced by the resistance to provide baseline data, and the completion of the CRA questionnaire.

Technology

The Council does not currently have an up-to-date ICT strategy which is strategically aligned to the Council's future business needs to ensure that a rigorous governance framework is in place that supports future ICT decisions. Interviews with Heads of Service across the Council suggest that they don't appear to have visibility, confidence or knowledge on the existing strategy, e.g. a number of 'non-corporate' solutions have been implemented by the business that are not supported by Business Systems.

Oracle user system administration and support is delivered in-house. There is no consistent procedure for users to log service requests across the different applications run by the Council, e.g. password reset, user access and technical issues. System Administration support is provided by staff within a number of functional areas, e.g. Finance, Payroll and Procurement. These teams have a good knowledge of the product within their specific area but there is a lack of cross functional knowledge.

The IBM Hardware Solution consultants have confirmed that the new IBM P570 server will support an enhanced Oracle solution, although this exercise did not include details of legacy applications that will also be hosted on the server as this was out of scope for the diagnostic.

It is recommended that a detailed sizing exercise is completed once the scope of the new solution is agreed to confirm future requirements, e.g. the Business Intelligence

solution which is traditionally resource intensive and the possibility of providing services for other Councils.

Other options for hosting the service include

- External Hosting
- Oracle On demand

The decision as to how the system will be hosted has not yet be made and the assumption is that the system will be hosted internally on the Councils hardware until such a time that the decision is made to adopt a different approach. It is, however, recommended that any Implementation partner is asked to bid on each of the options.

3. The Economic Case

3.1 Introduction

The economic case demonstrates that the organisation has selected the choice for investment which best meets the existing and future needs of the service and optimises value for money.

3.2 Critical success factors

There are a number of Critical Success Factors that have been identified if the Council is to achieve a successful implementation and transformation:

- The transformation approach is underpinned by a change management strategy which is **risk based and benefits lead**:
 - A detailed understanding of risks will need to be developed through the strong application of change management tools such as Change Impact Assessments, Change Readiness Assessments and Stakeholder analysis.
 - Strategies will need to be developed for Education and Training, Organisation Design and Stakeholder and Communications engagement, and which focus on addressing the identified risks.
 - From the outset, Benefits analysis and Benefits Realisation Management needs to be applied, to understand where the greatest areas of benefit will lie. The baseline data collected during the Diagnostic will be valuable in this exercise but it will still be necessary to gain ownership within the business to the benefits, and put in place plans which prioritise Change Management and implementation activity on the key benefit areas. To overcome inertia and resistance, the programme needs to promote the advantages of the transformation to the customer to gain the buy-in needed that will make the change realistic and sustainable.
- The approach should take a fully integrated view of the key dimensions of the transformation – People, Process, Organisation and Technology – which should be reflected in the overall Change Management approach as well as the governance model.
- Strong governance and transformation support will be required to transition the Council's support organisation from its current silo-based view into the multi-functional customer-focused view required by the shared service delivery approach. To support the design of the new organisation, there should be a focus on End-To-End processes. ERP implementation implies and requires the Council to focus on cross-functional processes. Attention to this must be consistent, and compromises challenged carefully.

- A clear vision of what the transformation seeks to achieve, the reasons for the transformation and the implications for the Council if it doesn't transform itself needs to be defined and communicated by the leadership team across the Council. Without it, people quickly lose direction and enthusiasm.
- The Council needs to ensure that it has the both the capability and the capacity to undertake the transformation. It is important that people have the skills, experience and knowledge that they need to manage the transformation and operate in the shared service environment. It needs the required resources to adapt their ways of working from a cultural perspective. The implementation approach needs to engender ownership of the changes within the business.
- It is essential to prioritise the transformation to ensure that no other conflicting initiatives will divert and confuse. The programme needs to minimise negative effects on "business as usual" (BAU). By putting in place deployment plans that minimise its negative impacts
- In partnering with a Systems Integrator to undertake the transformation, the partnership should have an emotional as well a financial base, built on a truly collaborative working ethos. The partner's involvement and commitment should be reinforced by representation at every level in the programme' governance structure, including the top level Council Transformation Management Programme Board. Partner involvement at a senior level will provide the Council with advice from a senior management perspective, and ensure that consistent views are maintained across the programme.
- Strong programme management arrangements (using MSP and Prince best practice) are essential to provide the co-ordination, structure and assurance around the technical and business change activities.
- Knowledge Transfer from the partner to the Council's team will be critical. The knowledge transfer approach should seek to minimise delivery risk while increasing the Council's self-sufficiency. This will allow partner staffing to ramp down after system go-live, placing direct responsibility for maintenance, support and improvement with qualified resources within the Council. This is important as no partner Change Management resources have been budgeted for in Phase 2 as it is expected that Council resources will be capable of managing the change required.
- A clearly set out and defined plan that enables everyone to see what is going to be happening and when, will help in the communications process to prepare people for the impact of the transformation. It is also essential in demonstrating the scale and pace of what is being achieved.
- The Corporate Service transformation should be aligned to the Council's wider transformation programme and reflected in the overall governance structure.

3.3 The long-listed options

Technology

The two options were considered:

- **Best of Breed** - select individual - often highly specialised - solutions tailored to a single business activity. Any required integration being achieved by bespoke interfaces which may be either real time or batch update. The Council has created a de-facto best of breed strategy which has resulted in a complex infrastructure that is unlikely to deliver value for money or support the required speed of change.
- **Enterprise Resource Planning (ERP)** – highly automated, using inbuilt workflow, and fully integrated without the need for bespoke interfaces. Within the ERP option the Council's existing Oracle applications base will be a highly effective and future-proof platform on which to consolidate a true corporate ERP strategy. As a Tier 1 solution, it will be sufficiently robust and scalable to support any future move to delivering services in collaboration with other councils.

Best of Breed

Individual point solutions can be relatively low cost to procure initially, however, the “hidden” total cost of ownership of a proliferation of such solutions is unacceptably high compared to an ERP Strategy.

Single application solutions, such as a standalone finance system meets the needs of professional users but contributes little to the overall needs of the wider organisation. The costs and complexity of interfaces that need to be supported, multiple skill-sets required, lack of standardisation and effective integration all compound to rule this out as a sustainable model for long term success and **realisation** of significant efficiency benefits. Most critically, they does not adequately support the internal or external shared services model.

Enterprise Resource Planning (ERP)

ERP – Oracle being a Tier 1 example with an extensive proven track record in Local Government - is not an ICT solution, a technology refresh project or systems replacement project. It is a powerful strategic approach to the management of essential information and ensuring process excellence supported by integrated ICT. It requires a strong corporate ethos and leadership.

Providing the necessary breadth of applications scope – HR/Pay, Finance, Procurement, Business Intelligence, Asset Management, powerful management reporting and Employee Self Service (ESS) as well as Managers' Self Service (MSS) within an integrated, standardised and service orientated architecture (SOA) which is fully aligned to the move to shared services and provides the agility and efficiency that the Council will need to deliver its goals.

ERP also reduces the need for expensive interfaces, reduces the diversity of operating platforms and skills required in support as well as providing a more secure and robust infrastructure. This is supported by a modern service orientated infrastructure that provides easy to master tools which are consistent across all areas of operation. This allows management by exception rather than consistent manual monitoring, reducing the level of specialist resources required.

ERP strategy is the right fit ensuring benefits realisation from the adoption of internal shared services on a scale that is needed to both reduce support costs and invest in service improvement.

An ERP strategy optimises the potential process efficiency benefits through the very close integration and inbuilt workflow that also delivers greater reliability, accuracy and timeliness of information across the Council.

The initial cost of establishing ERP can properly be considered as investment to facilitate planned extension of the ERP footprint – each extension being individually more cost effective.

Operating Model

Three options have been considered:

Technology implementation with associated BPR

This option encompasses the implementation of extended Oracle eBusiness Suite (EBS) functionality, but does not include the establishment of a shared service organisation. The change focus is to ensure that the business is ready to operate Oracle eBusiness enabled efficient processes at go live.

This means that employees remain in their current location but follow revised processes that are supported by technology, e.g. self-service HR. This option provides the least risk of any of the 3 options, but is unlikely to provide the level and speed of benefits realisation that the Council are seeking

Creation of a Transaction-based Internal Shared Service Organisation

As well as the implementation of an extended EBS functionality, this option includes the creation of a new, transactional shared service organisation for Finance, Procurement and HR functions. The creation of this team will bring employees together in one location involved in the transactional functions (e.g. invoice entry, payments, cash receipts and banking and payroll – see Appendix 6 for details) under a single management umbrella. Additional process efficiencies are realisable through economies of scale, improved compliance and standardisation, optimised workflow and automation, workload balancing, and the creation of a comprehensive

performance management framework. Service quality will also be improved and costs associated with errors and re-work will be reduced.

This option requires a more radical organisational change with commensurate higher risk and will require the mobilisation of a full transformation programme to deliver.

This option will result in a higher level of realisable benefits than those associated with the previous option. However, it will not result in the maximum potential benefits despite the level of preparation and set-up effort required. Separating the transactional functions from the operational and strategic functions can also result in a division of responsibility and confused priorities that adversely affect overall efficiency and effectiveness.

Creation of a full Transactional, Operational and Strategic Internal Shared Service Organisation

This option builds on the potential of the previous option by adding a range of operational and strategic functions, relating to Finance, Procurement and HR, into the scope of internal shared services, e.g. asset accounting, period close, project accounting, maintenance of training courses, absence management and operational procurement.

The extension of scope, further exploiting the economies of scale and other advantages from the previous option into operational and strategic activities will provide opportunity for further transformational improvement and efficiency as more employees are brought into the shared service centre from the business.

Shared services will deliver significant efficiency and service quality improvement. HM Treasury believes that 20-30% can be saved by delivering shared service based Operational Efficiency Programmes for back office operations and IT (source: Back-office Operational Efficiency Programme (OEP) Treasury Report 2009). However, from our experience, these improvements will only be achieved under the following conditions:

- The correct supporting and enabling technologies are in place
- The essential organisational, process and culture transformation is managed effectively. A proven approach to transformation management is required which is focussed on the management of risk to ensure successful outcomes and realisation of benefits. This is essential if a successful implementation is to be accelerated.

Implementation Options

The following 5 implementation options were considered for the programme:

- **Option 1 – Do nothing**

Existing systems and business processes remain unchanged with no capital outlay, but represents a tacit acceptance by the Council that existing inefficiencies and problems will remain unaddressed for at least the medium term.

- **Option 2 – Transformation and Re-implementation (Big Bang)**

This represents a re-implementation of existing Oracle modules, alongside a full implementation of all remaining Oracle eBusiness Suite modules. All functionality and transformational change would be implemented at the same time.

- **Option 3 – Phased Transformation and Re-implementation (Core, high ROI modules first, then extended solution)**

This represents a re-implementation of core Oracle modules, alongside transformational change. The approach is intended to improve basic business functions and processes quickly, while allowing the business to absorb transformational change in more manageable chunks. The core implementation should be extended in a subsequent phase of the programme to exploit added value processes and functions once the core has bedded in.

- **Option 4 – Phased Transformation and Re-implementation (Finance then HR or HR then Finance)**

This represents a re-implementation of the existing Financials and Procurement processes and solution in full alongside transformational change, followed by a full implementation of HR and Payroll. It allows for a reduced scale of transformational change to start with, affecting fewer people, and earlier delivery of enhanced Financials and Purchasing functionality. It allows enhanced finance and procurement functions to bed in before integration with the remaining project scope for HR and Payroll. Alternatively, core HR/Payroll functionality could be implemented first allowing a quicker resolution of Cyborg licensing issues, however existing problems in financials and GL would be resolved in slower time.

- **Option 5 – Phased Transformation, Upgrade and Extend**

This represents an upgrade of the existing Financials and Procurement solutions along with the implementation of extended finance and procurement scope and HR and Payroll at the same time. This option is similar to Option 3 above, having the same transformational change impact, but with a more straightforward delivery approach for Finance and Procurement.

Preferred way forward

To implement Oracle e-business suite 12.1 with full shared service support.

3.4 Short-listed options

The short-listed options are:

To adopt an ERP technology base with transactional and operational Shared Services with one of the following implementation models:

- Option 3 – Phased Transformation and Re-implementation (Core, high ROI modules first, then extended solution)
- Option 4 – Phased Transformation and Re-implementation (Finance then HR or HR then Finance)
- Option 5 – Phased Transformation, Upgrade and Extend

Preferred option

Oracle e-business suite 12.1 and shared service implemented in a phased approach as detailed under Option 3.

The business needs and assessment suggests that the Council should look at implementing a full transactional and operational strategic internal shared services model underpinned by an ERP strategy that is delivered as a phased transformation and re-implementation of the Oracle ERP solution. The analysis that has been carried out shows that this is the optimal solution to realise the level of benefits that the Council is seeking, whilst allowing the business sufficient headroom to adopt the required changes and ways of working and manage the associated risks.

It is suggested that this is achieved in a phased approach adopting and 2 or three phased approach with phase 1 and 2 being combined together in a two phase approach. The two phase approach will ensure a quicker and thus greater ROI:

Phase 1 – To implement transactional and self-service activities along with detailed Business Process Re-engineering that focuses on centralising activities in order to underpin and support the move to a shared services model.

Phase 2 – to implement further operational and strategic activities and establish a fully functional Shared Services.

A detailed breakdown of the options appraisal can be found in appendix ??

3.5 Economic appraisal

3.5.1 Introduction

The economic appraisal follows an intensive period of data collection, interviews and workshops followed by a detailed evaluation of that data and looked at both financial and operational benefits.

3.5.2 Estimating benefits

Methodology

The benefits associated with each of the following areas: Finance, HR, Payroll and procurement back office support functions were identified following a detailed analysis consisting of interviews, Workshops, data gathering and Questionnaires. The full details can be found in Appendix ??

Information Gathering (20th October 2009 to 6th November 2009) included:

- Baseline data collection templates, designed to collect information of current support activity across the Council to provide a baseline for establishing a robust benefits case based on real data were distributed and completed by relevant managers;
- A Change Readiness Assessment (CRA) Questionnaire was sent to the nominated staff. The purpose of the CRA was to investigate past practices in major IT enabled business change initiatives that have taken place in order to identify factors that have contributed to their success or failure.
- Collection of detailed ICT infrastructure, applications, and support arrangements relevant to back office functions.
- 22 one-to-one structured interviews, conducted by Capgemini consultants, with Directors, Assistant Directors and Heads of Service across Finance and Commerce, Social Care and Learning, Culture & Community and Legal & Democratic directorates (A full list of participants in interviews and workshops is included at Appendix 1);
- A series of 26 workshops and interviews again conducted by Capgemini consultants were also held with managers and staff engaged in support services from functional areas. to provide a fuller understanding of existing support operations for comparison with the t-Gov leading practice templates, and to collect relevant measures to compare with independent benchmarks (A full list of participants in interviews and workshops is included at Appendix 1);
- Collection of required baseline data by nominated staff in each service using t-Gov templates
- Completion of the on-line CRA by a sample of staff identified by the Council

- Initial consolidation and validation of the collected base-line data by the Council's Project Manager
- Capgemini's consultants' initial comparisons of the Council's current operations with leading practice and external benchmarks

Analysis and Conclusions (6th January 2010 to 15th January 2010) included:

- Analysis of the base-line data provided
- Analysis of the completed CRA questionnaires
- Undertaking a high level Change Impact Assessment to understand the impacts of identified planned and potential business changes being brought about by the recommended transformation
- Comparison of the Council's operations with t-Gov best practice and independent benchmarks
- Formulating conclusions and recommendations

A summary of each benefit can be found in the table below:

Impacts / Outcomes of Changes		Key Benefits
Finance		
Reduced lead-time to produce monthly Budget Monitoring & Out-turn report	Improved budget forecasting – v – outcome	Improved financial planning and management
Reduced time spent on financial transactional processing	Consolidated and up-to-date view of all corporate assets	
More accurate bank reconciliation		Improved cash management
Project & Portfolio Management		
Improved portfolio management set against funding and resource availability		Improved project delivery aligned to business objectives
HR & Payroll		
Improved data quality and availability	Less time spent on payroll calculations & HR adjustments	Reduced FTE required for Payroll & HR support activities (TBC)
Improved matching of available candidates to roles		
		Reduced Recruitment Overheads

Impacts / Outcomes of Changes	Key Benefits
Reduced staff turnover	Reduced Recruitment Overheads
	Reduced FTE required for Payroll & HR support activities
Improved career management & succession planning	Employee ownership / empowerment of professional development
	Improved competency and skill levels of workforce
Improved workforce performance management	Improved competency and skill levels of workforce
Streamlined BI reporting on HR KPIs and performance	More effective & timely workforce planning & decision-making
Reduced recruitment lead time leading to increased take-up of offers of employment	Reduced Recruitment Overheads
Procurement	
Reduced maverick spend	Reduced purchase price due to compliance
Increased spend under management	
Reduced time spent on: <ul style="list-style-type: none"> managing contracts tendering requisitioning / purchasing paying 	Reduced FTE required for Procurement support activities
Faster tendering and contracting process	Improved response to customer with reduced effort required from customer
Improved Auditability	Reduced risk of exposure due to inadequate Ts & Cs
Improved value add analysis to identify potential spend saving areas	More effective strategic procurement planning & decision-making

3.5.3 Estimating costs

Methodology

Costs were estimated by looking at the cost of implementing and the benefits that may be achievable.

The cost of implementing looked at the following areas:

- Software Costs
- Hardware Costs
- Implementation Costs – 3rd party business partner
- Internal project management costs
- Maintenance Costs

The associated benefits were taken from the data collected from the Council regarding its current operational costs both technology and workforce costs. Other costs that have been taken into account include: Savings that can be made through better procurement and recovery of bad debt.

Description, sources and assumptions

The source of the information comes from the information gathered as detailed above. The findings from the Council's data was then compared against known achievable operating practices and costs. There are a number of factors that were taken into account when preparing this information:

- Only employees that spent more than 40% of their time on the back office tasks detailed were included in the analysis
- It must be taken into account that a % of the achievable benefits may not be achievable due to other Council initiatives
- The release of the benefits is subject to a detailed benefits realisation plan, management and clear KPI's

3.5.4 Cost findings

The detailed economic appraisals for each option are attached at Appendix 7 together with detailed descriptions for costs and benefits, and their sources and assumptions.

The following summary shows the estimated costs and benefits based on each of the main options:

	Technology implementation with associated BPR		Transaction-based Internal Service Shared		Full Transactional, Operational and Strategic Internal Shared Service	
	5yrs	10yrs	5yrs	10yrs	5yrs	10yrs
Cumulative Benefits	£5,719	£12,979	£15,102	£35,716	£21,413	£50,126
Cumulative Project Costs	£5,360	£6,777	£6,169	£7,586	£6,169	£7,586
Net Cumulative Benefits	£358	£6,202	£8,932	£28,129	£15,243	£42,540
ROI / Payback	51 Months		27 Months		21 Months	

These initial options were revised to remove the provision originally included for Bad Debt. The revised benefits were:

	Technology implementation with associated BPR		Transaction-based Internal Service Shared		Full Transactional, Operational and Strategic Internal Shared Service	
	5yrs	10yrs	5yrs	10yrs	5yrs	10yrs
Cumulative Benefits	£5,719	£12,979	£15,102	£35,716	£19,353	£46,336
Cumulative Project Costs	£5,360	£6,777	£6,169	£7,586	£6,169	£7,586
Net Cumulative Benefits	£358	£6,202	£8,932	£28,129	£13,184	£38,750
ROI / Payback	51 Months		27 Months		21 Months	

It has been agreed that although the bad debt provision should be removed from the business case Bad Debt should be monitored through KPI's.

3.5.6 Option appraisal conclusions

The development of a benefits realisation plan, with clear ownership of the benefits and active benefits KPI-based tracking based on real data will enable the project to take appropriate action to ensure the realisation of benefits, e.g. ratio of HR employees to total employees or period end cycle time. The focus should be on those benefits providing the greatest performance improvements. It is important to recognise that a piecemeal approach will not realise the greatest amount of benefits, e.g. technology only or process change first – it has to be a transformation project where ERP and shared services are implemented together or the benefits won't be realised.

An analysis of the data shows that with a 10 month implementation of the technology and the shared service facility the benefits in the attached ROI table are achievable. However, as detailed above the realisation of these benefits is subject to a detailed and robust benefits realisation plan and the actual benefits that could be achievable may fluctuate subject to this process.

The majority of the benefits will be achieved by changing the way the Council operates its back office functions and this is where the greatest risk lies in releasing the benefits. However, even if the council only implements the Technology without the Shared services facility the council will break even in a period of 51 months. This period will reduce subject to the level of BPRs that is undertaken.

3.6 Qualitative benefits appraisal

3.6.1 Analysis of key results

The summary of the key results is detailed here.

The Recommended option will result in the highest level of realisable benefits in comparison with the other options. It will also result in a more efficient and effective, more responsive organisation that will be better positioned to face the financial pressures the Council will have to face.

The benefits include:

Phase 1 of the implementation will provide immediate operational benefits to the Councils staff and managers:

- Front line staff will be freed from back office duties
- Real time cross functional data on demand will ensure more accurate and up to date management information is available at the touch of a button.
- Fewer complicated interfaces will ensure greater accuracy across functions

- A single point of entry with that point of entry being closest to the source will ensure greater continuity, less margin for error and more up to date data is available
- Business Intelligence will provide managers with usable, reliable and accurate information
- Streamlined processes will afford greater efficiencies and better ways of working with information only being entered once and by the most appropriate people
- Manual and paper based processes will no longer be required ensuring efficiencies to be realised across the organisation
- Service delivery will be more focused on the Customer
- Best Practice processes and policies will be standardised across all service areas
- Service Level agreements will be applied which are comparable across all service areas
- Staff Members will become more knowledgeable about the business and provide a more flexible workforce to deploy in response to variable demand.

Phase 2

By including operational and strategic activities additional economies will be made through staff reduction, increased productivity and enhanced control of Key resources. This will provide the greatest potential to relieve professional staff, engaged in front line service delivery, of non core support activity. For example:

- The centralisation of management accountancy and centralisation of policies being applied consistently will result in greater budgetary control, less duplication through checking and ensuring budget ownership at budget holder level.
- In procurement more proactive leveraging of the Council's spending power can be consolidated.

3.7 Risk appraisal – unquantifiables

3.7.1 Methodology

Risk appraisal has been undertaken and involved the following distinct elements:

- identifying all the possible business and service risks associated with each option
- assessing the impact and probability for each option

It is critical to ensure that the programme achieves its full benefits including efficiency savings and service improvements.

The other transformation projects at the Council may distract management and resource effort from this project. These impacts will need to be managed within an

overall governance framework so that they can be anticipated and effectively managed.

Lack of engagement and buy-in by senior and middle managers will jeopardise the success of the transformation. Active and targeted stakeholder management supported by effective communications engagement will be critical from the outset.

Separating the transactional functions from the operational and strategic functions can result in a division of responsibility and confused priorities that adversely affect overall efficiency and effectiveness. A clearly defined and implemented role based performance support strategy will minimise the impact of any post-implementation performance dip

As part of the review, an initial high level CIA was undertaken giving an initial high level understanding of the impacts of identified planned and potential business changes being brought about by the transformation. The CIA focused on each in scope functional area (Finance and Asset Management, Project and Portfolio Management, HR and Payroll, Purchase-to-Pay and Business Intelligence). Impacts were assessed across a number of categories, e.g. Policy, Business Process, Skills and Knowledge, Roles and Responsibilities, Performance Management & Reward, Transitional and Implementation Impact.

From the assessment, the following table summarises the extent of the change impacts across the main functional areas impacted:

Business Function	Impact on:								Transitional and Implementation Impact	Overall Impact Assessment*
	Policy	Business Process	Workflow and Volumes	Skills & Knowledge	Culture and Ways of Working	Organisational Design & Alignment	Roles and Responsibilities	Performance Management & Reward		
HR / Payroll	●	●	●	●	●	●	●	●	●	●
Finance and Asset Management	●	●	●	●	●	●	●	●	●	●
Projects and Portfolio Management	●	●	●	●	●	●	●	●	●	●
Procure to Pay	●	●	●	●	●	●	●	●	●	●
Business Intelligence	●	●	●	●	●	●	●	●	●	●

Key to Assessment Rating:	
●	Fundamental Business Impact
●	Significant Business Impact
●	Moderate Business Impact
●	Little or No Business Impact

* Overall Impact Assessment rating is based on modal rating value across the individual change categories

The table illustrates that the overall level of business impact across most functions is expected to be significant or, in the case of HR and Payroll, fundamental.

A full narrative assessment of the change impact is presented in Appendix 5.

3.8 The preferred option

The preferred option is to implement the ERP system with full transformation because although the level of change is highest the level of cost is relatively low compared to the possible benefits both financial and operational

4. The Commercial Case

4.1 Introduction

This is for the provision of a third party business partner to implement the technology and act as a consultant for the change and transformation. The services of the business partner will be procured through the OGC framework.

The London Borough of Havering already have the software licenses required to implement the Oracle e-business suite modules required to support its ERP/Shared Services initiative.

The services of a third party supplier for the technology implementation and transformation consultancy will be procured through the OGC framework RM713/L4

4.2 Required services

The suppliers need to be able to demonstrate the following criteria:

- The will need to be able to work in partnership with the Council to implement and deliver a fully operational Oracle e-business suite 12.1 ERP system consisting of the modules and functionality as detailed under definitions within the Tender document and to facilitate the internal change management/transformation process associated with that implementation.
- They will also need to be able to show that they can lead on or work along side other Council transformation and change projects that are currently being progressed. Primarily this consists of the Customer Services change and transformation project.
- The provider will also need to be able to show that they can work across at least four boroughs to ensure that they are capable of working towards cross borough working strategy.

The Provider will be responsible for:

- Design – The provider will assist the Council with the design of the system based on the need to implement a vanilla system
- Technical set up
- The development and build of the system – Working in conjunction with the Council and to the Councils requirements the provider will be responsible for the development and the build of the system.
- The development, build and implementation of any associated interfaces. The Council has identified 29 inbound interfaces and 24 outbound interfaces, however, it should be accepted that at this stage this list is not finalised and may be subject to alteration.
- Data Migration and Data Set up – Working along side the council the Provider will be responsible for the upload of data into the new system. The Council will be responsible for the download of data from any legacy systems. The provider will assist the Council in ensuring that data is fit for purpose

- Security – The provider is responsible for setting up user profiles and assisting the council with defining user profiles
- Testing – The Provider will be responsible for all initial testing of the System based on the build and development. The Provider will offer advice and guidance to testing tools and methods
- Providing advice and guidance on processes and procedures – The provider will work alongside the council to ensure that the processes and procedures introduced by the council are suitable and workable based on the system and the Councils new shared service model, based on implementing a vanilla system
- Training – The provider will be responsible for setting out training guidelines and ensuring that the council is ready to use the system. They will be responsible for delivering train the trainer training
- Providing best practice solutions
- Knowledge Transfer – The Provider will be responsible for ensuring that the Councils has the correct level of skills and knowledge to manage the system post implementation
- Facilitation of the associated Transformation and Change Management

The assessment criteria is set out in the method statement of the Tender document

4.3 Potential for risk transfer

Potential for risk transfer will be highlighted in the Contract and PID and will operate on the principle that risks should be passed to 'the party best able to manage them', subject to value for money.

4.4 Proposed charging mechanisms

All payments will be subject to agreed deliverables.

Any change management will be managed through a clearly defined change management process and will be subject to relevant approval

4.5 Proposed contract lengths

The following contract lengths will be considered

Phase 1 – to be delivered within 12 months

Phased 2 – To be agreed

4.6 Proposed key contractual clauses

The contract will be subject to the contractual agreements agreed and signed up to via the OGC framework

4.7 Personnel implications (including TUPE)

It is understood that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 –will not apply to this investment as outlined above.

4.8 Procurement strategy and implementation timescales

The procurement timescales and key deliverables can be found in the Tender document.

5.0 The Financial Case

5.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case).

5.2 Overall affordability

The following ROI shows the possible realisable costs associated with the preferred Option:

Affordability/Payback Model (£,000) - More Conservative Transformation (10 Months to Go-Live)												
Activity	Development Year Yr 0 2009/10	Go-live Year Yr1 2010/11	<<< Operational Years >>>									11 Year Total
			Yr 2 2011/12	Yr 3 2012/13	Yr 4 2013/14	Yr 5 2014/15	Yr 6 2015/16	Yr 7 2016/17	Yr 8 2017/18	Yr 9 2018/19	Yr10 2019/20	
External												
Implementation Services	£3,000	£0	£0	£1,250	£0	£0	£0	£0	£0	£0	£0	£4,250
Transformation Services	£850	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£850
Additional Software Licences												
- SOA*1	£167	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£167
- Apps Mgt Pack*1	£40	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£40
- Oracle Testing Suite*2	£23	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23
- Oracle Project Mgt*3	£0	£0	£0	£40	£0	£0	£0	£0	£0	£0	£0	£40
Additional Software Maint												
- SOA*1	£37	£37	£37	£37	£37	£37	£37	£37	£37	£37	£37	£407
- Apps Mgt Pack*1	£9	£9	£9	£9	£9	£9	£9	£9	£9	£9	£9	£99
- Oracle Testing Suite*2	£5	£5	£5	£5	£5	£5	£5	£5	£5	£5	£5	£55
- Oracle Project Mgt*3	£0	£0	£0	£9	£9	£9	£9	£9	£9	£9	£9	£72
Hardware*4	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Hardware and Software Upgrade	£0	£0	£0	£0	£0	£0	£1,000	£0	£0	£0	£0	£1,000
External Investment in Year	£4,131	£51	£51	£1,350	£60	£60	£1,060	£60	£60	£60	£60	£7,002
Internal												
Implementation Services	£475	£0	£0	£115	£0	£0	£100	£0	£0	£0	£0	£690
Transformation Services	£283	£0	£0	£75	£0	£0	£0	£0	£0	£0	£0	£358
Technical Infrastructure Costst*5	£19	£0	£0	£11	£0	£0	£19	£0	£0	£0	£0	£49
Internal Investment in Year	£777	£0	£0	£201	£0	£0	£119	£0	£0	£0	£0	£1,097
Total Investment in year	£4,908	£51	£51	£1,550	£60	£60	£1,179	£60	£60	£60	£60	£8,099
Cumulative Investment	£4,908	£4,959	£5,010	£6,560	£6,620	£6,680	£7,859	£7,919	£7,979	£8,039	£8,099	£8,099
Cumulative Benefits*6	£0	£1,958	£5,330	£10,330	£15,670	£21,413	£27,165	£32,898	£38,641	£44,383	£50,126	£50,126
Net Benefits	£4,908	£3,000	£320	£3,770	£9,050	£14,733	£19,297	£24,979	£30,662	£36,344	£42,027	£42,027
*1 Including 42% OGC discount and all products bought at same time. Assuming 2 x dual core processors in Production and 1 x dual core processor for Development environments												
*2 Including 42% OGC discount and all products bought at same time. Based on named users (5 for functional testing and 50 for load testing)												
*3 Assuming 50 Users												
*4 Assumes no new hardware required												
*5 Includes technical infrastructure resource cost only, not the provision of hardware which is assumed to be a sunk cost												
*6 Cumulative Benefit figures do not include the cost of a redundancy programme and this would have to be added to the ROI matrix												

Below is the Revised ROI excluding Bad Debt:

Affordability/Payback Model (£,000) - More Conservative Transformation (10 Months to Go-Live)												
Activity	Development Year Yr 0 2009/10	Go-live Year Yr1 2010/11	<<< Operational Years >>>									11 Year Total
			Yr 2 2011/12	Yr 3 2012/13	Yr 4 2013/14	Yr 5 2014/15	Yr 6 2015/16	Yr 7 2016/17	Yr 8 2017/18	Yr 9 2018/19	Yr10 2019/20	
External												
Implementation Services	£3,000	£0	£0	£1,250	£0	£0	£0	£0	£0	£0	£0	£4,250
Transformation Services	£850	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£850
Additional Software Licences												
- SOA*1	£167	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£167
- Apps Mgt Pack*1	£40	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£40
- Oracle Testing Suite*2	£23	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23
- Oracle Project Mgt*3	£0	£0	£0	£40	£0	£0	£0	£0	£0	£0	£0	£40
Additional Software Maint												
- SOA*1	£37	£37	£37	£37	£37	£37	£37	£37	£37	£37	£37	£407
- Apps Mgt Pack*1	£9	£9	£9	£9	£9	£9	£9	£9	£9	£9	£9	£99
- Oracle Testing Suite*2	£5	£5	£5	£5	£5	£5	£5	£5	£5	£5	£5	£55
- Oracle Project Mgt*3	£0	£0	£0	£9	£9	£9	£9	£9	£9	£9	£9	£72
Hardware*4	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Hardware and Software Upgrade	£0	£0	£0	£0	£0	£0	£1,000	£0	£0	£0	£0	£1,000
External Investment in Year	£4,131	£51	£51	£1,350	£60	£60	£1,060	£60	£60	£60	£60	£7,002
Internal												
Implementation Services	£475	£0	£0	£115	£0	£0	£100	£0	£0	£0	£0	£690
Transformation Services	£283	£0	£0	£75	£0	£0	£0	£0	£0	£0	£0	£358
Technical Infrastructure Costst*5	£19	£0	£0	£11	£0	£0	£19	£0	£0	£0	£0	£49
Internal Investment in Year	£777	£0	£0	£201	£0	£0	£119	£0	£0	£0	£0	£1,097
Total Investment in year	£4,908	£51	£51	£1,550	£60	£60	£1,179	£60	£60	£60	£60	£8,099
Cumulative Investment	£4,908	£4,959	£5,010	£6,560	£6,620	£6,680	£7,859	£7,919	£7,979	£8,039	£8,099	£8,099
Cumulative Benefits*6	£0	£1,958	£5,330	£10,330	£15,670	£21,413	£27,155	£32,898	£38,641	£44,383	£50,126	£50,126
Net Benefits	£4,908	£3,000	£320	£3,770	£9,050	£14,733	£19,297	£24,979	£30,662	£36,344	£42,027	£42,027
*1 Including 42% OGC discount and all products bought at same time. Assuming 2 x dual core processors in Production and 1 x dual core processor for Development environments												
*2 Including 42% OGC discount and all products bought at same time. Based on named users (5 for functional testing and 50 for load testing)												
*3 Assuming 50 Users												
*4 Assumes no new hardware required												
*5 Includes technical infrastructure resource cost only, not the provision of hardware which is assumed to be a sunk cost												
*6 Cumulative Benefit figures do not include the cost of a redundancy programme and this would have to be added to the ROI matrix												

Activity	Development Year 0	Year 1 - 2010/11	Year 2 - 2010/2	Year 3 - 2010/13	Year 4 - 2010/14	Year 5 - 2010/15	Year 6 - 2010/16	Year 7 - 2010/17	Year 8 - 2010/18	Year 9 - 2010/19	Year 10 - 2010/20	Year 11 Total
External												
Implementation Services	3,000	0	0	1250	0	0	0	0	0	0	0	4,250
Transformation Services	850	0	0	0	0	0	0	0	0	0	0	850
Additional Software Licences												
SOA	167	0	0	0	0	0	0	0	0	0	0	167
Apps Mgt Pack	40	0	0	0	0	0	0	0	0	0	0	40
OracI Testing	23	0	0	0	0	0	0	0	0	0	0	23
Oracle Project Management Module	0	0	0	40	0	0	0	0	0	0	0	40
Additional Software Maintenance												
SOA	37	37	37	37	37	37	37	37	37	37	37	407
Apps Mgt Pack	9	9	9	9	9	9	9	9	9	9	9	99
OracI Testing	5	5	5	5	5	5	5	5	5	5	5	55
Oracle Project Management Module	0	0	0	9	9	9	9	9	9	9	9	72
Hardware												
Hardware and Software Upgrade	0	0	0	0	0	0	1000	0	0	0	0	1,000
External Investment Year 1	4,131	51	51	1,350	60	60	1,060	60	60	60	60	7,003
Internal												
Implementation Services	475	0	0	115	0	0	100	0	0	0	0	690
Transformation Services	283	0	0	75	0	0	0	0	0	0	0	358
Technical Infrastructure Set Up	19	0	0	11	0	0	19	0	0	0	0	49
Internal Investment in Year	777	0	0	201	0	0	119	0	0	0	0	1,097
Total Investment per Year	4,908	51	51	1,551	60	60	1,179	60	60	60	60	8,100
Cumulative Investment	4,908	4,959	5,010	6,561	6,621	6,681	7,860	7,920	7,980	8,040	8,100	
Cumulative Benefits	0	1,539	4,481	8,968	13,956	19,353	24,749	30,146	35,543	40,940	46,336	46,336
Net benefits	-4,908	-3,420	-529	2,407	7,335	12,672	16,889	22,226	27,563	32,900	38,236	38,236

6. The Management Case

6.1 Introduction

The management case will demonstrate who the project will be managed to ensure that it delivers successfully to cost, time and quality.

6.2 Programme management arrangements

The Programme will be managed in accordance with PRINCE 2 methodology

6.3 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

6.3.1 Project reporting structure

The project reporting structure will be in the form of regular highlight reports that detail the main deliverables and progress against those deliverables, Risk and issues and change management. The highlight reports will be prepared by project managers and managed by the programme manager and will be presented to the Board.

6.3.2 Project roles and responsibilities

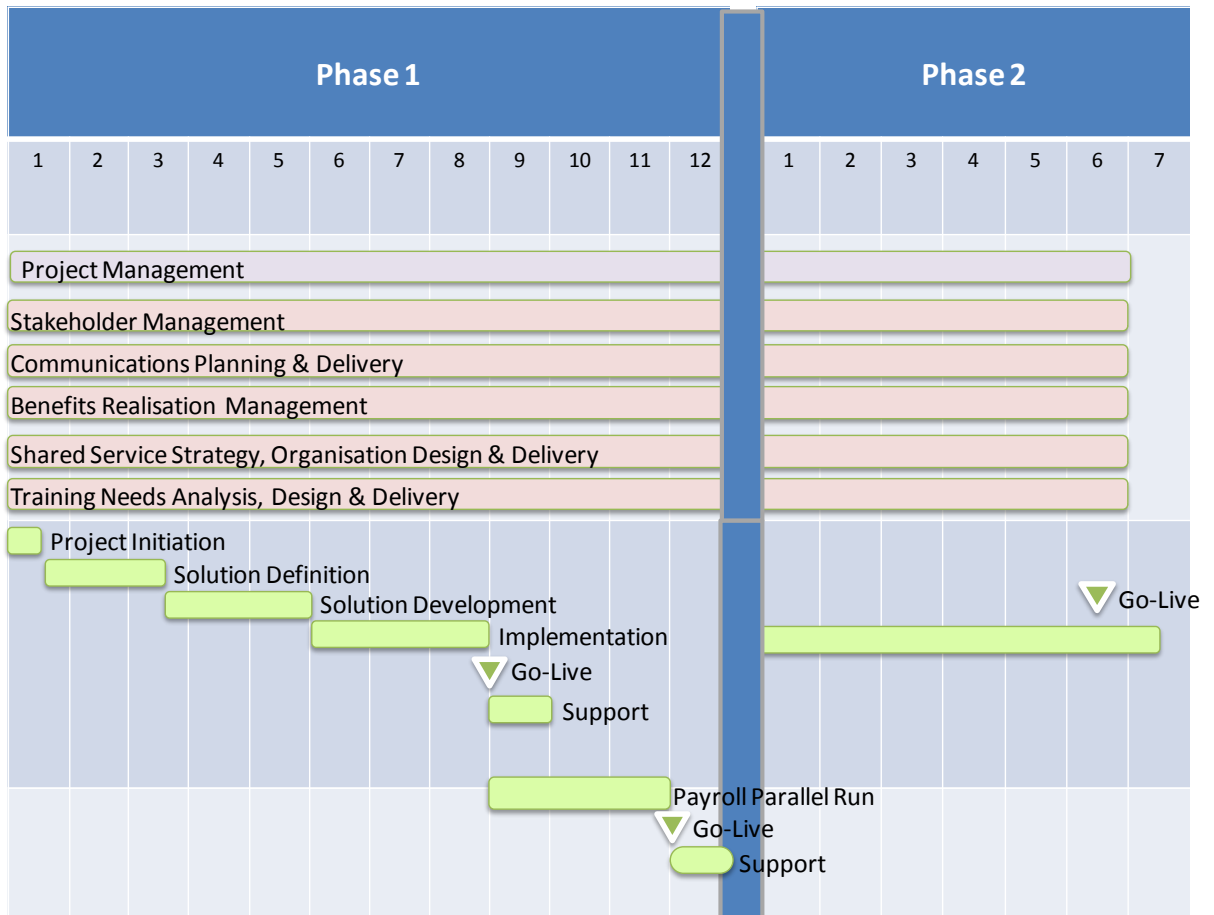
The following table estimates the resources required to be provided by the Council to undertake the transformation. The Resource profile assumes a Change Management model where the SI Partner provides a Change Management service in a primarily advisory capacity with responsibility for formulating strategies, plans and appropriate tools, whilst the Council's staff are primarily responsible for the deployment of the Change Management plans and application of the tools under the guidance and assurance of the SI Partner. Skills and Knowledge Transfer from the SI Partner to the Council during the Transformation will be fundamental to the Council achieving self-sufficiency by completion of the Transformation.

Option 3 - Internal Shared Service, Phased Re-implementation (Core first, then extended solution)																											
	Phase 1												Phase 2								Phase 1 Total	Phase 2 Total	Total				
	Proj. Init.		Solution Definition			Solution Development			Implementation			Support & Transition			Sol Def		Sol Dev		Implementation					Support			
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M1	M2	M3	M4	M5	M6	M7								
Programme Governance																											
Senior Responsible Officer	4	2	2	4	2	2	4	2	4	2	2	2	2	2	2	2	2	2	2	2	32	14	46				
Programme Manager	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	216	126	342					
Project Manager	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	216	126	342					
Technical Design Authority	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	216	126	342					
Testing Manager			9	9	18	18	18	18							9	18	18	18		90	63	153					
PMO Support X 2	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	432	252	684					
Process Owners X 3 - Finance /HR & Pay/ Procurement																											
	6	6	6	6	6	6	6	6	6	6	6	6	6	3	3	3	3	3	3	72	21	93					
Functional Area - Finance & Asset Mgt.																											
Process Champion - Finance	18	18	18	18	18	18	18	18	18	18										162	0	162					
SME Team Members X 2 - AR/CM; GU/FA	20	36	36	36	36	36	36	36	36	36										308	0	308					
Functional Area - Projects																											
Process Champion - Project Costing	10	10	10	10	10	10	10	10	10	10										90	0	90					
Process Champion - Project Management														18	10	10	10	18	18	10	0	94	94				
Functional Area - P2P (inc. Payments & AP)																											
Process Champion - Procure 2 Pay	18	18	18	18	18	18	18	18	18	18				18	18	18	18	18	10	162	118	280					
SME Team Members X 2 - Procurement / AP	20	36	36	36	36	36	36	36	36	36										308	0	308					
Functional Area - HR & Payroll																											
HR & Payroll Process Champion	18	18	18	18	18	18	18	18	18	18				18	18	18	18	18	10	162	118	280					
HR & Payroll Team Members X 4 - Council HR / Schools HR / ESS MSS / Payroll)	10	64	64	64	64	64	64	64	64	64										522	0	522					
Business Intelligence																											
Reporting Champion														18	10	10	10	18	18	10	0	94	94				
Finance SME														18	10	10	10	18	18	10	0	94	94				
HR SME																					0	0	0				
Procure to Pay SME																					0	0	0				
Data Migration																											
Data Migration Manager				18	18	18	18	18	5	5	5	5									110	0	110				
Data Migration (Phase 1 - 3 FTE's, No Data Migration in Phase 2)				54	54	54	54	54	28	28	28	28									382	0	382				
Implementation Services																											
Monthly Total (Mandays)	214	298	307	381	388	388	390	388	333	131	131	131	185	161	170	179	203	203	145	3480	1240	4720					
Team Size (Average)	12	17	17	21	22	22	22	22	19	7	7	7	10	9	9	10	11	11	8								
Monthly Cost	£24,769	£34,491	£35,532	£44,097	£44,907	£44,907	£45,139	£44,907	£38,542	£15,162	£15,162	£15,162	£21,412	£18,634	£19,676	£20,718	£23,495	£23,495	£16,782	£402,778	£144,213	£546,991					

	Proj. Init.	Solution Definition			Solution Development			Implementation		Support & Transition				Phase 2									
														Init Def	Init Dev	Implementation			Support		Phase 1 Total	Phase 2 Total	Total
		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M1	M2	M3	M4	M5	M6	M7			
Technical																							
Infrastructure and Networks		10	18	5	5	5	5	5	18					5	10	5	5	5	10		71	40	111
DBA		10	18	5	5	5	5	5	18					10	10	5	5	5	18		71	53	124
Technical Infrastructure Costs																							
Monthly Total (Mandays)		20	36	10	10	10	10	10	36	0	0	0	0	15	20	10	10	10	28	0	142	91	235
Team Size (Average)		1	2	1	1	1	1	1	2	0	0	0	0	1	1	1	1	1	2	0			
Monthly Cost		£2,315	£4,167	£1,157	£1,157	£1,157	£1,157	£1,157	£4,167	£0	£0	£0	£0	£1,736	£2,315	£1,157	£1,157	£1,157	£3,241	£0	£16,435	£10,764	£27,199
Transformation Management (including Training)																							
Change Champions X 3 (MSP Role Bus Change Mgr) - F&C; SC&L; C&C + L&D		5	5	5	5	5	5	5	15	15	15	15	15	6	6	6	6	6	6	6	110	42	152
Change Manager (Comms, CRA, Stakeholder Engagement, Benefits Mgt)		18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	216	126	342
Change Team Members X 3 (Phase 2 X 1)		56	56	56	56	56	56	56	56	56	56	56	56	10	10	10	10	10	10	10	672	70	742
Change Agent / Super Users (Phase 1 - 1 day a month across 20 people; Phase 2 - 1 day a month across 6 people) - Team Leader Level, Cascade Comms, Help Process Demo's		20	20	20	20	20	20	20	20	20	20	20	20	6	6	6	6	6	6	6	240	42	282
Training Manager			18	18	18	18	18	18	18	18	18	18	18		18	18	18	18	18	18	198	108	306
Finance / Projects Trainer 1			18	18	18	18	18	18	18	18	18	18	10								182	0	182
Finance Trainer 2						18	18	18	18	18	18	18	10								128	0	128
Projects Trainer															18	18	18	18	18	9	0	99	99
HR / Payroll Trainer 1			18	18	18	18	18	18	18	18	18	18	10		18	18	18	18	18	9	182	99	281
HR / Payroll Trainer 2						18	18	18	18	18	18	18	10								128	0	128
P2P Trainer 1			18	18	18	18	18	18	18	18	18	18	10		18	18	18	18	18	9	182	99	281
Training Administrator						18	18	18	18	18	18	18	18								144	0	144
Transformation Services																							
Monthly Total (Mandays)		79	151	151	151	205	205	205	215	215	215	175	175	34	106	106	106	106	106	79	2142	643	586896.8
Team Size (Average)		4	8	8	8	11	11	11	12	12	12	10	10	2	6	6	6	6	6	4			
Monthly Cost		£9,144	£17,477	£17,477	£17,477	£23,727	£23,727	£23,727	£24,884	£24,884	£24,884	£20,255	£20,255	£3,935	£12,269	£12,269	£12,269	£12,269	£12,269	£9,144	£247,917	£74,421	£322,338
Total Internal Costs																					£667,130	£229,398	£896,528
Assumptions:																							
LB Havering Resource total excludes Change Agents totals as this role can be performed as part of their normal day job.																							
Change Team members should be organised on a directorate basis, not a functional basis.																							
Training not required for Employee and Manager Self-service - awareness briefing only.																							
Resources who perform actual UAT are not included. Resources would typically be determined by Change Champions																							
Council needs some people that we transfer skills and knowledge so that they can be self supporting																							
Average Salary assumed at £25,000 pa																							

6.3.3 Project plan

The following diagram provides a high-level plan for Option 3 discussed earlier. Phase 1 delivers the core solution and business transformation to improve basic business functions and processes quickly. Phase 2 will exploit added value processes and functions once the core has bedded in:



6.4 Outline arrangements for change and contract management

Change management will be managed under Prince 2 methodology and the methodology arrangements agreed with the 3rd party supplier.

6.5 Outline arrangements for benefits realisation

A detailed benefits realisation plan will be developed as part of the project initiations and will include details on setting KPI's and managing those KPI's to ensure that the benefits are achievable and monitored.

6.6 Outline arrangements for risk management

Risk and issue management will be in accordance with Prince 2 methodology and will be managed by the Programme manager and the programme board.

6.7 Outline arrangements for post project evaluation

6.7.1 Post implementation review (PIR)

A post implementation review will take place after the project has gone live and will include details of all risk and issue resolution, change management, benefits realisation, lessons learnt.

6.7.2 Project evaluation reviews (PERs)

Project evaluation reviews will take place at regular points throughout the project to be agreed as part of the project initiation.

6.8 Gateway review arrangements

All gateway review arrangement will be built into the detailed in the PID and the project plan at the start of the contract.

6.10 Contingency plans

A full contingency plan will be drawn up as part of the project initiation, however, it should be noted that In the event that this project fails none of the councils current systems will be decommissions before the successful implementation of the ERP technology.

Signed:

Date:

**Senior Responsible Owner
Project Team**

1. Appendices

1.1. Interviews and Workshops Held

Interview / Workshop Description	Date	Purpose	Attendees
Stuart McGrogan - Kick-Off	14/10/2009 12:00	Discuss Engagement Approach, Communications and Data Collection Requirements	Stuart McGrogan Jane Williams (if available) Bob Martin Nick Plummer
Andrew Blake-Herbert - Senior Sponsor Meeting	20/10/2009 16:30	Introductions; Discuss engagement objectives and request senior level mandate and agreement to distribute initial comms for the project	Andrew Blake-Herbert Stuart McGrogan Jane Williams Bob Martin Nick Plummer
LBH Project Board	21/10/2009 13:30	Initial Project Board with Capgemini representation. CG to provide overview of approach and discuss requirements from Board members	Andrew Blake-Herbert Stuart McGrogan Jeff Potter Mike Stringer Sarah Bryant Jackie Atchinson Jane Williams Bob Martin Nick Plummer
LBH Project Board	03/11/2009 13:00	Initial Project Board with Capgemini representation. CG to provide overview of	Andrew Blake-Herbert Stuart McGrogan Jeff Potter Mike Stringer

Interview / Workshop Description	Date	Purpose	Attendees
		approach and discuss requirements from Board members	Sarah Bryant Jackie Atchinson Jane Williams Bob Martin Nick Plummer Paula Little
1-2-1 Andrew Ireland (Group Director Social Care & Learning)	03/11/2009 17.00	1-2-1 Interview - vision, strategy, culture	Andrew Ireland Alastair Paul
1-2-1 Cynthia Griffin (Group Director Culture & Community)	03/11/2009 11.30	1-2-1 Interview - vision, strategy, culture	Cynthia Griffin Alastair Paul
1-2-1 Christine Dooley (Assistance Chief Exec Legal and Democratic Services)	Meeting not scheduled as couldn't be held in required timescales	1-2-1 Interview - vision, strategy, culture	
1-2-1 Sarah Bryant (Ass Dir Transformation - Business & Efficiency)	21/10/2009 10:30	1-2-1 Interview - vision, strategy, culture	Sarah Bryant Bob Martin Phil Pursglove
1-2-1 Joe Coogan (Ass Dir Transformation - Commissioning)	27/10/2009 17:00	1-2-1 Interview - vision, strategy, culture	Joe Coogan Nick Plummer Dave Rogers (on holiday)
1-2-1 Rebecca Brown (Ass Dir Transformation - Customer and Community)	28/10/2009 14:00	1-2-1 Interview - vision, strategy, culture	Rebecca Brown Nick Plummer

Interview / Workshop Description	Date	Purpose	Attendees
Engagement)			
1-2-1 Mark Butler (HoS - Asset Mgt)	22/10/2009 11:00	1-2-1 Interview - vision, strategy, culture	Mark Butler Alastair Paul
1-2-1 Geoff Connell (HoS - Business Systems)	05/11/2009 11.00	1-2-1 Interview - vision, strategy, culture	Geoff Connell Bob Martin Nick Plummer
1-2-1 Patrick Keyes (HoS - Development and Building Control)	28/10/2009 11:00	1-2-1 Interview - vision, strategy, culture	Patrick Keyes Nick Plummer Dave Rogers (On holiday)
1-2-1 Jeff Potter (HoS - Exchequer Services)	19/10/2009 15:00	1-2-1 Interview - vision, strategy, culture	Jeff Potter Bob Martin Nick Plummer
1-2-1 Mike Stringer (HoS - Finance and Performance)	19/10/2009 10:30	1-2-1 Interview - vision, strategy, culture	Mike Stringer Bob Martin Alastair Paul
1-2-1 Jackie Atchinson (HoS - HR)	28/10/2009 09:00	1-2-1 Interview - vision, strategy, culture	Jackie Atchinson Nick Plummer Gary Bettis
1-2-1 Mike Porter (HR - done a lot of work investigating HR systems)	20/10/2009 14:30	1-2-1 Interview - HR / Payroll Background	Mike Porter Nick Plummer Alastair Paul
1-2-1 Efion Price (HoS - Children and Young People's Services)	Scheduled for 05/11/2009 09.00. Meeting not held as was not in Efion's Diary and he was not available.	1-2-1 Interview - vision, strategy, culture	
1-2-1 Sue Butterworth (HoS - L&D)	27/10/2009 14:00	1-2-1 Interview - vision, strategy, culture	Sue Butterworth Nick Plummer

Interview / Workshop Description	Date	Purpose	Attendees
			Gary Bettis
1-2-1 David Tomlinson (HoS - Schools for the Future)	Meeting scheduled for 17/11/2009 09.00. Cancelled as could not be arranged in required timeframe.	1-2-1 Interview - vision, strategy, culture	
1-2-1 Mark Leech (HoS - Comms)	05/11/2009 10.00	1-2-1 Interview - vision, strategy, culture	Mark Leech Alastair Paul
1-2-1 Simon Parkinson (HoS - Culture & Leisure)	Meeting scheduled for 13/11/2009 16.00. Cancelled as could not be arranged in required timeframe.	1-2-1 Interview - vision, strategy, culture	
1-2-1 Jonathon Geal (HoS - Housing and Public Protection)	02/11/2009 11.00	1-2-1 Interview - vision, strategy, culture	Jonathon Geal Phil Pursglove Emma Jones
1-2-1 Peter Williams (Environmental strategy Manager) for Roger McFarland (HoS - Regeneration & Strategic Planning)	09/11/2009 10.30	1-2-1 Interview - vision, strategy, culture	Peter Williams Dave Rogers
1-2-1 Bob Wenman (HoS - Street Care)	26/10/2009 14:00	1-2-1 Interview - vision, strategy, culture	Bob Wenman Nick Plummer Dave Rogers (on holiday)
1-2-1 David Cooper (HoS - Adult Social Care)	29/10/2009 16:00	1-2-1 Interview - vision, strategy, culture	Dave Cooper Nick Plummer
1-2-1 Martin Whiteley (Customer	09/11/2009 11:00	1-2-1 Interview - understand how back and front	Martin Whiteley Bob Martin

Interview / Workshop Description	Date	Purpose	Attendees
Services Strategy)		office can integrate	Nick Plummer Will Edge
Finance Performance Mgt	05/11/2009 14.00	To develop high-level understanding of Finance Performance Mgt	Barry Howlett Emma Jones Phil Pursglove
Housing, Environment & General Services Group FM	09/11/2009 15.00	To develop high-level understanding of Asset Maintenance and Services	Conway Mulcahy Dave Rogers
Financial Svcs Mgr	27/10/2009 16:00	To develop high-level understanding of Finance Working Practices / challenges	Owen Sparks Phil Pursglove
Children & Adults Finance Mgr	28/10/2009 14:00	To develop high-level understanding of Finance Working Practices / challenges	Samantha Gable Caroline May Phil Pursglove
Internal Audit & Corporate Risk Mgr	04/11/2009 14:00	To develop high-level understanding of Internal Audit	Vanessa Bateman Phil Pursglove Nick Plummer
Corp Finance Mgr Capital & Treasury Mgr Senior Corporate Support Acct Pensions	04/11/2009 11.30	To develop high-level understanding of Finance Working Practices / challenges	Michael Board Mark White Alison Umoh Debbie Ford Nigel Foster Lillian Thomas Phil Pursglove Dave Rogers

Interview / Workshop Description	Date	Purpose	Attendees
Accountant Projects Accountant			
Financial Systems	02/11/2009 15.30	To develop high-level understanding of Finance Systems Working Practices / challenges	Terry Clements (Fin Systems Mgr) Denis Riddle (Systems Accountant) Phil Pursglove Emma Jones
Grants Co-ordinator	05/11/2009 10.00	To develop high-level understanding of Project Accounting Working Practices / challenges	Lillian Thomas Dave Rogers
Finance User Feedback	Workshop not held as couldn't be setup in timescales.	To develop high-level understanding of users / devolved finance teams experience of Finance Working Practices / challenges	Sample of users and devolved Finance teams from across council
Paying People	04/11/2009 10:00	To develop high-level understanding of Paying People at LBH	Gary Bettis Jacinta Clifford (Payroll Manager) Mo Jones (Pensions) Adele Madigan Vicki Felton

Interview / Workshop Description	Date	Purpose	Attendees
			Val Field
Absence Management	04/11/2009 14:00	To develop high-level understanding of Absence Mgt Working Practices / challenges	Gary Bettis Vicki Felton Joanne Woodward Jacinta Clifford (Payroll Manager) Corinna Zammit Jane Corsham Val Field
Performance Management/ Learning & Development	09/11/2009 14:00	To develop high-level understanding of Performance Mgt and L&D Working Practices / challenges	Gary Bettis Mark Porter Catherine Whiteman Corinna Zammit Michelle Giordmaina Myra Whiskar Steve Thorpe
Recruiting, Hiring and Deployment	30/10/2009 10:00	To develop high-level understanding of Recruiting, Hiring and Deployment Working Practices / challenges	Gary Bettis Mark Porter Jacinta Clifford (Payroll Manager) Corinna Zammit Helen Massey Lynn Jones Sarah Pashley Susan Burdon Val Field
Managing the Organisation	06/11/2009 10:00	To develop high-level understanding of Managing the	Gary Bettis Mark Porter Vicki Felton Myra Whiskar

Interview / Workshop Description	Date	Purpose	Attendees
		Organisation Working Practices / challenges	Steve Thorpe
Workforce Planning and HR Reporting	06/11/2009 14:00	To develop high-level understanding of Workforce Planning and HR Reporting Working Practices / challenges	Gary Bettis Emma Jones Mark Porter Vicky Felton Joanne Woodward Alexandra Watson Adele Madigan Corinna Zammit
HR/Payroll User Feedback	03/11/2009 11:00	To develop high-level understanding of users / devolved HR/Payroll teams experience of HR/Payroll Working Practices / challenges	Sample of users and devolved HR teams from across council Gary Bettis
Procurement	05/11/2009 9:00	To develop high-level understanding of Procurement Working Practices / challenges	Hassan Iqbal Nick Plummer
Procurement User Feedback	Workshop not held as couldn't be setup in timescales	To develop high-level understanding of users / devolved	Sample of users and devolved Procurement teams from

Interview / Workshop Description	Date	Purpose	Attendees
		procurement teams experience of Procurement Working Practices / challenges	across council Nick Plummer
Infrastructure / Networks / Database Discussion	02/11/2009&03/11/2009	To develop high-level understanding of Council's infrastructure / networks and database.	Rob Leather Nick Tudor Geoff Locke
Infrastructure / Networks / Database Discussion	02/11/2009 & 03/11/2009	To develop high-level understanding of LBH infrastructure / networks and database	Peter Clayton Geoff Locke
Sizing and Hardware discussion (Telephone Calls)	Throughout early November	To develop understanding of sizing and hardware requirements	Representative from IBM hardware supplier Geoff Locke
Finance in Streetcare	06/11/2009 14:00	To develop an understanding of the financial processes followed in Streetcare (AP & AR)	Chris Layton Paul Ellis Phil Pursglove
Timesheets in Streetcare	09/11/2009 11.00	To develop an understanding of the timesheet processes followed in Streetcare	John Gross Gary Bettis
Timesheets in	03/11/2009	To develop an	Ian Burns

Interview / Workshop Description	Date	Purpose	Attendees
Legal	13.00	understanding of the timesheet processes followed in Legal Services	Gary Bettis
Oracle System Admin	03/11/2009 15.00	To develop an understanding of Oracle System Administration activities within Business Systems	Mark Findlay Nick Plummer Phil Pursglove
Exchequer Services Revenues Team	05/11/2009 09.15	To develop high-level understanding of Revenue Accounting Working Practices / challenges	Sharon Harris (Principle Collections Officer) Phil Pursglove
Strategic Development & Projects	05/11/2009 12:15	To develop high-level understanding of Projects Working Practices / challenges	Kevin Mulcahy Dave Rogers
Finance System Control & Development Officer	09/11/2009 15:00	To develop high-level understanding of Finance System Admin Working Practices / challenges	Geoff Parkes Emma Jones

1.2. Discovery and Diagnostic Key Findings

Introduction

The Discovery and Diagnostic review focused on the following functional areas:

- Finance and Asset Management
- Project and Portfolio Management
- HR and Payroll
- Procure to Pay
- Business Intelligence
- Information and Communications Technology (ICT).

This Appendix presents the results of the functional assessments. For each functional area the following information is presented:

- A current assessment and needs summary.
- Comparative metrics between leading practice performance and LB Havering's current performance.
- Comparative Assessment of the Council against Leading Practice; a comparison of the Council's current practice against leading practice is presented for each functional area, together with a compliance rating ranging from:



Fundamental shortfalls in comparison with leading practice, through to



- Fully compliant with leading practice.

Finance and Asset Management

Current Assessment and Needs Summary

The Council's Financial and Operating systems and process are highly devolved with the outlying Services employing a number of specialised, point-solution systems, geared to specific activities and requirements. Some of these systems also cover 'back-office' functionality, for example the raising of Purchase Orders, or the recording of Supplier Invoices. In particular, there are a variety of different systems and processes used to generate and record Revenue across the Council, including Council Tax (Academy), Highways (Mayrise) and Libraries system. Although these systems may undertake back-office tasks, they are not necessarily seamlessly integrated into the core back-office systems.

The distributed nature of these functions in LB Havering has meant that, as Services processes have developed, the levels and methods of integration with the core accounting systems have become varied in their style, effectiveness and efficiency. The distributed processing systems and lack of consistent Integration has resulted in a reduced ability to capitalise on the benefits of using a highly integrated ERP (Enterprise Resource Planning) software solution such as Oracle e-Business Suite(EBS). An ERP solution enables the linking of a set of modules which can describe the end-to-end processing of a business or financial transaction. It makes efficient use of centralised, shared data, rules and parameters, and eliminating the need for duplicate data entry. In the Council's Finance function there are a number of areas where the lack of coherent integration is apparent, including visibility of committed spend, Bank Reconciliation and Asset Accounting.

As a consequence of this there is no clear view of committed spend which restricts productive analysis of actual spend against budget. Consequently local Service managers maintain their own local records of committed expenditure on spreadsheets, and often require support from Corporate Finance to forecast and manage their budgets. This information is used in the generation of the monthly forecast, an extremely time-consuming process at present, resulting in a prolonged 5 to 6 week timescale to produce the period-end reports for submission to the CMT and the Members. The current iProcurement system has the ability to report Commitments, but only if it is used consistently for raising Purchase Orders for the vast majority of Purchase transactions. The current rollout of iProcurement has not yet achieved this.

The Bank Reconciliation function currently relies upon a custom-developed system ('Cheque Collation') which takes transactional data from various systems through custom interfaces in order to match against Bank Statement


information. The Oracle solution contains a Cash Management module which can automatically view payment data from AP, AR, Payroll and GL and perform the Bank Statement reconciliation according to predefined criteria. Moving both AR and Payroll onto Oracle would provide a standardised integral solution reducing the dependence on external interfaces, and the Cheque Collation system would no longer be needed.

There is no single view available of the capital assets of the Council, in the form of a central Asset Register. A number of separate, non-linked systems are used, and updates to the GL (particularly depreciation) only occur once annually, rather than monthly as per leading practice.

This lack of integration may also contribute to the perceived difficulty of providing a full accounting close each month (a Balance Sheet is only currently available at Year-end).

We recommend that the Council follows a course of action which will provide a greater level of integration in its Finance, Revenue and Asset systems, which in turn will bring about a more efficient end-to-end financial process. Whilst we recognise that in some cases specific systems are absolutely required to manage certain processes (obvious examples being Academy for Council Tax, PARIS for Cash Receipting, and Servitor for DLO Job Costing), every effort should be made to maximise the use of the central ERP software's capabilities. This will allow for greater consistency of data quality, greater ability to capitalise on standard available functionality (e.g. Commitments, Accruals, Bank Reconciliation, and checks upon accuracy of journal postings), and the removal of double-keying and manual and spreadsheet-based processes.


Performance summary - Comparative Metrics




Metric	Average	Leading Practice	LB Haverin g	Commentary	Assessment
Total cost of the finance function as a percentage of revenue/budget (APQC)	1.1%	0.61%	1.43%	Reflects the volume of work conducted outside the Finance function due to the complex manual processes and fragmented solution set, e.g. creation of invoices, invoice coding and approval.	





Metric	Average	Leading Practice	LB Haverin g	Commentary	Assessment
				This also results in additional management overhead and pockets of knowledge spread throughout the Council. Based on Annual Revenue £210m and cost of Finance Function £2.62m (baseline data), pension contribution of 10% and accommodation cost of £1500 per FTE.	
No of Accounts in Chart of Accounts (Subjective) (APQC)	1500	525	664	The Council are performing well based on the number of subjective accounts used to monitor the business	😊
Percentage of Manual Journal Entries (APQC)	25%	3%	81%	The Council have commented that a large proportion of manual journal entries are budget journals; the system requires 12 separate journals (one for each period) to amend a whole years data. This amendment procedure results in an inflated % but there is still room for improvement	😞
Cycle time in days to complete the financial forecast (APQC)	8d	4d	5-6 weeks	The Council lag significantly behind the average performing organisation for the	😞

Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				completion of financial forecasts	
Average days sales outstanding (Debtor Days) (APQC)	38d	25.5d	28d (sundry debt only)	Although the debtor days for sundry debt compare favourably with top performance, there is significant room for improvement when other debtors are included - 88d (all except CTax) and 43d (CTax). Bad debt provision of £18.4m (08/09) is also high.	☹️
Percentage of Electronic Receipts (APQC)	38%	94%	96% (CTax)	Assessment based on Council Tax receipts which account for a significant majority of all receipts.	😊
Personnel cost of the process "process accounts receivable" per £1,000 revenue (APQC)	0.23	0.09	1.62	The Council has a significant opportunity to reduce the AR processing costs and this again reflects the volume of work conducted outside the Finance function (Based on Annual Revenue £210m, Cost of AR Function £288k, pension contribution of 10% and accommodation cost of £1500 per FTE)	☹️

Comparative Assessment of the Council against Leading Practice

Leading Practice	Current Practice in Havering	Compliance
Centralised Finance Team working as a shared service to	Some Finance activities are centralised, e.g. Payroll and	

Leading Practice	Current Practice in Havering	Compliance
obtain cost-effective, consistent and scalable operational capability that benefits from economies of scale and provides all internal customers with a financial service that meets their business needs	Payments but many activities occur in the business, e.g. creation of invoices and invoice coding and approval	
Fully integrated financial systems which facilitate seamless transactional processing without manual entries, and enable automatic control account and bank account reconciliations. Data should be held only once.	The Council utilises a great many disparate point-solution systems and integration with the core accounting software is sometimes limited or non-existent, e.g. Technology Forge. Opportunities for making use of shared data are compromised, and hence data is duplicated in multiple systems. This has an impact on both the efficiency with which transactional processing can occur, and also the accuracy of that transactional data. The ability to rely upon automatic reconciliation is limited.	
Operate full commitment accounting and automatic accrual generation, and full close at quarter end.	Commitment accounting and accruals are in place within the Council's Oracle iProcurement system. However, the use of iProcurement to raise Purchase Orders is extremely limited at present, so the positive impact of these Commitments and Accruals is negligible. Consequently the quality of cost information going into the Budget Monitoring and Forecasting process is poor.	
Emphasis placed on achieving first-time quality of journals by ensuring that all required data is available and that account coding is accurate.	Control over account codes is maintained by the imposition of manual code combination setup (rather than by using the Oracle Dynamic Insertion feature in conjunction with rigorous Cross-Validation Rules and Security Rules). Code validation in the many legacy systems (including Cyborg Payroll in particular) is maintained on a different basis, and updates are	

Leading Practice	Current Practice in Havering	Compliance
	not necessarily maintained in perfect synchronisation. As a consequence there are cases where imported journal data contains codes which are detected as invalid by GL, and this results in postings to a Suspense a/c. This account requires time-consuming reconciliation and clearing activities at month-end.	
There should be a common Chart of Accounts which allows for local variations in account sub structure	A common Chart of Accounts is in place for the Council (although there is a different Chart in use in a separate ledger, for the collection of data from schools). However the structure of the Chart relies upon a rigid hierarchy to achieve reporting at different levels (Directorate, Service, Activity, Cost Centre). Leading practice recommends that the Cost Centre segment be further divided into more discrete elements, allowing for more flexibility and responsiveness in potential future organisational change, e.g. as Services develop and grow.	
There is a single point data entry system (e.g. single organisation-wide database) for the entry of asset information	Technology Forge is used for both asset accounting and maintenance, however there is no link to the GL and asset additions are created manually. Intangible assets are recorded on a separate spreadsheet system. Other transport and property assets are held on other non-integrated registers elsewhere in the Council.	
Asset accounting and depreciation charging should be automatically calculated, charged and posted to the general ledger on a monthly basis.	Depreciation is calculated on an annual basis for assets held in Technology Forge, and the resulting charges are journaled manually into the General Ledger. There is no monthly charge in the accounts.	
Bank Reconciliation should be an automatic process, benefiting	The Bank Reconciliation function currently relies upon a custom-	

Leading Practice	Current Practice in Havering	Compliance
from an integrated system where payment and receipt information is shared	developed system ('Cheque Collation') which takes transactional data from various systems through custom interfaces in order to match against Bank Statement information.	

Project and Portfolio Management

Current Assessment and Needs Summary

The council run an annual project portfolio of approximately £65M. There are 473 active projects on the current capital project monitoring spreadsheets being run across the Directorates ranging from minor communications or IT improvements to major housing and regeneration projects. Whilst this represents a sizeable project portfolio, the council are still developing their project and portfolio management (PPM) capability and the current IT systems do not support effective operational and financial project control.

There are several notable weaknesses that need to be addressed in order for the council to gain better control over their project planning and delivery:



- Due to a lack of detail and completeness of project information in the General Ledger, project managers need to maintain local spreadsheet systems to track project commitments, spend and accruals. As a result, the consolidation of information into project reporting packs at the project, service, Directorate and Council wide level is cumbersome and prone to human error.
- Similarly, operational and delivery related controls and measures such as risks, issues, change requests and progress are managed on local spreadsheets again resulting in manual consolidation, lack of visibility and delays in decision making.
- Planning and estimating of projects is not carried out consistently across projects and the lengthy manual approval process for projects often means that project plans are too optimistic.
- As a result of the lack of common processes and systems for project management, it is difficult to get a true picture of the total current and planned project activity, which inhibits portfolio management decision making.



The implications are that project planning and delivery is not effectively or efficiently controlled. The year on year under spend against capital forecast provides a clear sign that projects are not being delivered on schedule and therefore not delivering the benefits to the borough as early as planned. The disparate manual information and reporting systems both divert project management time from project delivery and fail to deliver project information in time to enable better control and decision making. The lack of a consolidated view of planned project activity prevents a 'reality' check of the demand versus delivery capacity. It also prevents the strategic modelling required to select the optimum set of projects to deliver the maximum benefit.

There is a need for a project costing, management and planning solution that is: integrated with the ERP tools; provides efficient real time reporting on


project costs; introduces the controls required to support effective project delivery; supports strategic decision-making across the project portfolio.







Performance Summary - Comparative Metrics




Metric	Average	Leading Practice	LB Haverin g	Commentary	Assessment
Cycle time (days) for the creation of consolidated monthly project reporting pack (Capgemini Operational Research)	15	5	30	Twice the level of effort is required to produce project reporting packs than the average performing organisation. Mainly due to the use of manual, spreadsheet based tracking and monitoring tools. This makes it difficult for Project Managers to control progress, risks and issues as the information is not provided in a timely enough manner.	
Weekly time (hrs) per project manager spent on project status reporting (Gantry Group)	4	3	Not known	There is no central data to support this benchmark but based on the benchmark above, it is expected that a Council project manager spends far more effort on project status reporting than other organisations. This limits the time they have to add value by resolving issues to ensure projects are delivered on time. Reporting moving over	

Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				to HP. This will take 1 FTE to support.	
Cycle time for project approval sign off (days) (Gantry Group)	22	14	Approx. 60	No centralised data to support this benchmark. Approvals can take months due to planning controls and bureaucracy which adds cost and complexity to a project before it's even started.	
Average cycle time for project risk / issue closure (days) (Capgemini Operational Research)	32	20	Not known	No centralised data to support this benchmark but as project reporting takes so much effort, it's expected that the average issue takes longer to resolve than a mid performing organisation. This limits the time project managers have to add value by mitigating risks before they become issues and then resolving issues, increasing the cost of the project.	

Comparative Assessment of the Council against Leading Practice

Best Practice	Current Practice in Havering	Compliance
Project and Programme delivery assurance should be managed through a central team responsible for policy	A programme support office team has been established and policy, training and audit processes are in place. Actions	

Best Practice	Current Practice in Havering	Compliance
setting, support and auditing of PPM processes across the organisation.	are in place to roll out standard tools, process and support arrangements across all LBH projects.	
There should be clear alignment between planned / current project activity across the portfolio and strategic business objectives and benefits.	Top level portfolio management is developing as a concept and in design but the tools and processes are not yet in place to support it. As a result, there is no direct measureable link between the portfolio of projects and business objectives.	
Project resource plans should be consolidated across the organisation to understand and balance the demand against capacity, inform workforce planning and consolidate procurement demand.	The current tools (Microsoft Excel and Projects) do not provide a consolidated view of the planned project resource demand.	
All projects and programmes should be delivered using an effective corporate project and programme management methodology by qualified project managers.	The expectation is that all projects are following standard processes. Exceptions are identified through the Internal Audit process.	
Planning and estimating should be carried out consistently across projects using templates, multiple points of estimation and historical project data.	Historical project data is available through the document file structure but delivery schedules are often under-estimated, suggesting a lack of common processes and supporting tools.	
Project or stage gate approval should be based on clear business case, plans, costs, benefits, risks and probabilistic outcomes.	Business case development and project approval processes are not applied consistently across the portfolio of projects.	
Project delivery governance processes such as project approval, change control and	Project approval is managed off line. Commitment and procurement spend on projects	

Best Practice	Current Practice in Havering	Compliance
commitment approval should be managed through automated tasking / workflow processes.	is not supported by automated workflow processes. Some projects happen without business case / approval.	
Project delivery teams should be supported by collaboration tools allowing issues, risks, progress, documents, deliverables, change requests and tasking to be managed consistently.	No collaboration tools available to project teams. Risks, Issues and Changes are managed on local spreadsheets. Financial commitment and accrual position tracked manually on local spreadsheets.	
The whole cost of project delivery including external purchases, internal labour, plant and materials usage, overheads, accruals and commitments should be understood to manage Return on Investment.	Only external purchase costs are tracked against projects. Internal labour, overheads, commitments and accrual costs on projects are not readily available. The true cost of project delivery is not known.	
Standard reporting metrics, KPI's and templates should be used across all projects. Project report generation and publication should be automatic and timely to support decision making.	There is no standard reporting process across all projects. HP is being developed and rolled out across Transformation projects to introduce standard KPI's. Data is entered manually in 3 separate systems (local spreadsheets, finance spreadsheets and HP). The capital reporting pack takes 6 weeks to finalise.	

HR and Payroll

Current Assessment and Needs Summary

The Council manages a large number of complex HR/Payroll business processes that are inadequately supported by their information systems. With the exception of the existing Cyborg Payroll system, there is no other large scale and organised source of Payroll or HR information available to the Council. All other HR business processes, including strategically important processes such as Recruitment, Performance and Learning Management, rely upon cumbersome manual procedures.

The fragmented and (Payroll excepted) manual nature of the Council's systems has led to disjointed business practices and procedures. Management approvals for recruitment activity are protracted and poorly controlled, and there are a number of areas where obvious duplication of effort remains unresolved (e.g. duplicate personnel files, manual recruitment activity for applicants, double keying of schools' HR and absences data, multiple keying of timesheet data, no resolution of the Payroll costing to GL mapping problems).

The lack of an integrated system to support key business processes in both HR and Payroll means that effective quality assurance and policy enforcement is not practicable. Re-keying of data requires extra effort and has increased the risk of data error and degraded data quality over time in Cyborg. There is little or no timely management information available, and it is extremely costly to produce the current management information packs. The Council cannot maximise the potential and productivity of their workforce without good information about the skills, qualifications, competencies and aspirations of their staff.



The Council needs an integrated organisational structure and system to support efficient end to end business processes for HR, Recruitment, Performance Management, Learning Management, Time Recording, Payroll and Management Reporting with a single data source used by all business processes.

Performance Summary - Comparative Metrics



Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
Ratio of Payroll Staff to total employee base (APQC)	1:213	1:249	1:563 inc Schools	This suggests the Council are performing well in comparison to	😊







Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
			employees 1:174 exc Schools employees	other organisations. Based on Council payroll of 9,000 (includes schools based and external payrolls but excludes pensions) and a Payroll team of 16 (from baseline data). However, if schools employees are removed, the ratio would be 1:174 (based on 2780 employees) which suggests there is room for improvement	
Costs of Payroll service per employee (Capgemini Research 2008)	£85	£42	£44	The Council are performing well in comparison to other organisations. Based on Council payroll of 9,000 (includes schools based and external payrolls) and a Payroll team cost of £400k	😊
Cost Per Payslip	N/A	£1.10	£3.75	We believe that the Council provided figure (£0.20) is understated. Our calculation is based on the CIPD definition: Staff Cost (£2.28) + Postage (£0.10) + Running Costs Cyborg (£1.13) + IT infrastructure (Unknown) + Accommodation (£0.14). The cost per	😐





Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				payslip figure suggests that that savings can still be made in managing and processing payroll.	
Ratio of HR staff to total employees (APQC)	1:182	1:200	1:46 (exc. Schools HR)	The baseline data analysis shows that the Council provided figure (1:140) is understated and there is considerable room for improvement which is reflected in the interview and workshop feedback, e.g. recruitment, performance mgt, absence reporting. Based on 2780 (Establishment List Sep 09) employees and 60 HR FTE's (those spending over 40% of their time on HR)	☹️
Costs of HR service per employee (Hackett 2006)	£1864	£1614	£1799 (exc. Schools HR)	This benchmark also confirms there is considerable opportunity for efficiencies in HR. Although the benchmark suggests that the Council is a better than average performer, it doesn't take into account that there are a number of HR activities that aren't provided, therefore reducing the costs.	😊

Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				Based on 2780 employees (Establishment List Sep 09), Cost of HR £4.02m pa, Jobs Go Public, Penna-Barkers and Exec Search of £375,746, pension contribution of 10% and accommodation cost of £1500 per FTE	
Average elapsed time from a vacancy occurring to the acceptance of an offer for the same post (Learning and Skills Council)	N/A	<25 days	31 Days	The Council figure is an average of performance between Jul-07 and Jun-09. Best figure achieved was 27 days, worst was 39 days, but this performance disregards the protracted approvals timescale prior to recruitment activity, typically adding weeks to the timescale.	
Sickness absenteeism per FTE in a single reporting year (CIPD)	7.4 days	N/A	9.22 days	The Council's corporate target is 7 days.	

Comparative Assessment of the Council against Leading Practice

Leading Practice	Current Practice in Havering	Compliance
A Human Resources (HR) strategy has been developed with associated implementation plans	Workforce Strategy / HR Strategy 2009 - 2012 published with implementation plans.	
Payroll, benefits, and human resource data are integrated in a centralised HR information system, working	Separate Payroll system (Cyborg) and fragmented manual processes and systems in support of HR	

Leading Practice	Current Practice in Havering	Compliance
as a shared service.	business processes. High volume of period end reports run in Cyborg (approx. 75) due in part to the fragmented nature of Council systems.	
An employee self-service vehicle is used to enter or update basic payroll data, such as name, address, and tax withholding information.	There is no equivalent functionality in the Council.	
Managers have direct access to their employees' data, easy access to reports, and can handle the online approval of leave, overtime and attendance sheets.	There is no Council wide systems support, but there are isolated examples of online timecard processing, e.g. in Homecare and Legal Services.	
Provide clear, unambiguous and timely management information to drive workforce planning and recruitment strategy.	Informative but largely transactional reporting packs are issued on a monthly basis. They are produced following a time consuming manual process and the resulting reported data is immediately overtaken by events.	
Ensure professional performance management at every level of the organisation.	There are procedures and policies available on the Intranet to help managers prepare annual appraisals, define objectives and conduct reviews in a consistent manner, but there is little effective policing or control.	
Manage the delivery of appraisals and ensure rigid checks for quality and delivery on time to meet staff expectations	There is no effective across-the-board enforcement or policing by HR due to the lack of an integrated support system.	
Identify workforce competencies and behaviours to encompass skills, knowledge and	Progress has been made in piloting behavioural competencies and including them in the annual	

Leading Practice	Current Practice in Havering	Compliance
personal attributes	performance review process. Competencies are, however, linked to employee grade and not to their job/role.	
Link individual role and departmental objectives to corporate objectives. Communicate corporate objectives to employees and then translate those objectives into understandable, achievable goals for individuals and teams at all levels within the organisation.	There is no organised or structured alignment between individual employee's objectives and those of the organisation, however all employee performance appraisals are driven by performance against agreed objectives at the start of the reporting year.	
Align training and development with long term company goals.	There is no apparent link between training and development activity and long term Council goals. There is no structured information available regarding the skills, qualifications competencies of the workforce. E.g. Poor implementation and tracking of the induction process.	
Effective utilisation of support systems and infrastructure to automate a large proportion of the recruiting and hire process for all employee types (including temp / agency staff not on the payroll).	Services and systems such as Comensura, Jobs Go Public, Barkers and Tribal provide some automation and support to recruitment processes. Existing systems do not, however, support the selection, shortlisting, pre employment checks and deployment process for recruitment.	
There is an effective measurement solution to provide robust information to plan an absence strategy. Advanced time and attendance systems have the facility to log the type of	Absence / attendance policies are documented and available on the Council intranet. Management information is provided on levels of absenteeism, but the process of capturing absence details is	

Leading Practice	Current Practice in Havering	Compliance
absence and set up return to work interviews with absent employees	labour intensive and involves fielding between 20-30 e-mails each day. Only sickness absence is captured on Cyborg for Council employees.	

Procure to Pay

Current Assessment and Needs Summary

The Business Development Unit (BDU) is a small centralised team that manage 17 corporate contracts and support other Service Lines who tender for and manage 100+ contracts. BDU is also delivering a number of tactical improvements which will help make some efficiency savings for the Council, e.g. Comensura Agency Service, BT One Bill and eProcurement are being rolled-out across the Council. Their 3 year strategy is aligned with the Council's business strategy and the team has developed policies and processes that should be followed by the Council to procure goods and services.

Our review has identified a number of challenges faced by the existing structure and service provision. The most significant ones are highlighted below:

- Although a centralised BDU and Payments team exists, there are a significant number of resources within the Service Lines that are responsible for procurement and accounts payable activities, e.g. tendering for and managing over 100 contracts; coding and approval of approximately 40,000 paper based invoices; resolution of supplier queries.
- The Council utilises an Excel based spreadsheet to monitor contracts, spend commitments and record the completion of supplier performance reviews. Whilst the BDU team proactively monitor the 17 corporate contracts, it is not easy to control and monitor the 100+ contracts managed outside of the BDU as the Council is reliant on the Contract Monitoring Officers (CMO). As a result, there is inconsistency in the frequency and quality of the contract monitoring which presents an unknown level of risk to the Council.
- Subscription based eAuction tools have been used, e.g. for the new stationery contract and the use of an eTendering tool has been investigated. Although an eProcurement tool is currently being rolled out, it is limited in terms of users and categories of spend available. There is no 'mandate' from senior management to use the system. There is no published 'eProcurement' strategy to provide direction for the implementation and detail how the Council and its employees will benefit from it.
- The majority of the purchase-to-pay process is paper / manual based, e.g. telephone orders and paper invoices which are manually coded and approved within the service lines. There are a number of 'channels' that can be used to procure goods and services, e.g. telephone, fax, supplier website and eProcurement.

Although it is necessary for an element of procurement and accounts payable activities to be performed by resources within the Service Lines, e.g. tender requirements definition, self-service requisitioning and supporting the

resolution of invoice holds, the current volume of these activities leads to an inefficient use of resources. The cost of delivering the procurement and accounts payable service is higher than leading practice organisations – see section 0 below.

The devolved management of many contracts within the Council and lack of an enterprise wide contract management and procurement system has resulted in a lack of visibility of spend in a timely manner and at the right level. As a result, it isn't possible to ensure the standardised procurement policy and processes implemented by the BDU are followed. This increases the risk to the Council in terms of maverick spend, lack of adherence to regulations, lack of control and ultimately increased costs.

The implementation of an eProcurement solution to manage spend within the Council is a good step forward. However, only about £1m (1.98%) of influenceable spend (excluding social care & learning, schools and highways) of £54,415,767 is currently processed through the eProcurement system. As spend continues to be processed outside of the system, the Council is suffering from reduced control (e.g. no approval before purchase or ability to influence spend before commitment) and process inefficiencies (e.g. limited self-service and automated matching of electronic invoices). Experience suggests that savings of at least 1%-3% of annual spend can be achieved by ensuring purchases are processed through an eProcurement solution through the reduction of maverick buying and process efficiencies. Further savings can be achieved through the use of the management information provided by the eProcurement tool to negotiate better deals. Assuming an additional £50m of influenceable spend is purchased through the eProcurement system, estimated annual savings are £0.5m to £1.5m.

The lack of timely and detailed management information makes it difficult for BDU to control purchases and analyse spend. Such information holds the key to a range of significant benefit areas such as driving higher degrees of standardisation, aggregation across Service Lines, reviewing supplier performance and identifying opportunities for savings.

In the current economic environment where the Council needs to do more for less, Procurement is expected to deliver significant, tangible and rapid cost reductions in third party spend (£10m savings 2009-12) with fewer resources. In order to help deliver these savings, it's important that a flexible organisation structure is put in place with Procurement represented at senior level boards and forums. Whilst we recognise that in some cases, point solutions are required to manage certain spend, e.g. p-Cards and Comensura, every effort should be made to maximise the use of Oracle's ERP capabilities to support achievement of the Council's saving's target. We recommend that the Council follow a course of action to deliver a greater level of integration and automation across the Procurement and Finance Service Lines and source-to-pay processes to drive 70%-80% of spend through the system. By doing this, the council will benefit from:

- Economies of scale (less resources doing more);
- Improved visibility, influence and control of contracts and spend in a repeatable, real-time and proactive fashion;
- More efficient and automated source-to-pay processes removing paper and manual inputs;
- Improved savings as more spend is channelled through negotiated contracts;
- Improved negotiating position with suppliers.

Performance Summary - Comparative Metrics

Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
Procurement staff ratio to total employees (Hackett)	1:22	1:200	1:103	The actual ratio for the Council is lower than reported as the central procurement team support Schools procurement activities but the schools employees are not included in this calculation. Even so, the Council are performing above average but there is still a opportunity for efficiencies, e.g. reduction in manual processes through self-service procurement and centralised contract management. Based on total Council employees of 2780 and a Procurement team of 27 FTE's (those spending over 40% of their time on Procurement)	😊
Purchasing employees as percentage of total employees (CAPS)	3.79%	0.29%	0.97%	As above, the Council are performing above average but there is	😊

Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
Research)				still an opportunity for efficiencies. Based on the volume of manual processes, there may even be under investment in Procurement. Based on total Council employees of 2780 and a Procurement team of 27 FTE's (those spending over 40% of their time on Procurement)	
AP Costs as a percentage of revenue (Perform! World Ltd)	0.1%	0.05%	1.62%	The Councils AP costs are higher than average which reflects the manual, paper based process followed for many invoices. Based on Annual Revenue of £210m and AP Cost of £292k from baseline data, pension contribution of 10%, 13 AP resources and accommodation cost of £1500 per FTE	☹️
Percentage of annual spend on Procurement Operations (Hackett)	0.82%	0.63%	0.44%	Although this benchmark suggests good performance, it's showing an under investment in Procurement compared to top performing organisations. Based on an Influenceable Annual Spend	😊

Metric	Average	Leading Practice	LB Haverin g	Commentary	Assessment
				(excluding capital & schools) of £129m and Procurement Operations cost of £546k (inc pension contributions, £1500 accommodation per FTE and 11 Procurement FTE's	
Number PO's processed per Procurement FTE (APQC)	1927	4334	53	Based on 1430 PO's pa and 27 FTE Procurement FTE's. This benchmark is artificially low as it doesn't include the number of manual orders raised	☹️
Percentage total spend under management (Aberdeen Group) <i>Spend under management is defined as spend associated with contractual terms that is processed through the eProcurement system</i>	63%	88%	0.84%	This benchmark suggests that the Council is managing a very low proportion of spend. In reality this percentage is much higher but as the spend is managed through manual processes, it is not captured in this benchmark. However, opportunities still exist to improve control of spend and ensure compliance to negotiated contracts. Based on £1,077,153 (last 12 months) of Catalogue Spend processed through eProcurement and an influenceable annual	😐


Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				spend (excluding capital & schools) of £129m	
Requisition to Order Cost (Aberdeen Group) <i>Req to Order includes the following sub-processes: req creation by creator, financial and/or commodity approval, source req into PO by Buyer, and sending order to supplier</i>	£16	£13.50	£56.66 (avg)	The majority of orders raised by the Council are still manual and paper based resulting in the high average cost. Based on Manual Req to Order cost of £60 and assuming 20k of the 40k paper invoices pa are paper based. 1430 electronic orders pa at £10 per order.	☹️
Percentage of suppliers enabled to receive and deliver electronic transactions (Aberdeen Group)	22%	27%	7%	The Council can only trade with a small proportion of suppliers to take advantage of the lower costs of electronic trading. Based on 5489 suppliers with spend in 08/09 and 400 suppliers enabled on the IDeA marketplace	☹️
AP Cost per Invoice (APQC and Hackett)	£3.90	£1.54 Or £0.45 for Shared Service	£4.01	The Council have made significant improvements over the last few years reducing the number of invoices from 150k pa to 85k pa. However, the cost of processing is still high reflecting the volume of manual, paper based invoices that need to be	😐


Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				processed (40k pa). Based on AP cost of £292k, pension contributions at 10%, £1500 accommodation per 13 AP FTE's and 85k invoices pa	
Number of invoices processed per FTE per year (APQC)	12,665	19,536	6,800	The lower volumes of invoices processed per FTE reflects the volume of manual, paper based invoices (40k pa). Based Total Invoices of 85k pa and 12.5 FTE's engaged in AP activities	☹️
Percentage of AP Invoices automated (Perform! World Ltd)	20%	75%	37%	The Councils performance has been inflated by the volume of invoices that are uploaded from spreadsheets. These aren't officially considered automated invoices as they still require manual intervention to process but have been included in the benchmark. There is still significant opportunity for the Council to become more efficient by automating more invoices. Based on 1000 invoices fully automated (eProcurement); 30500 invoices partly	😐



Metric	Average	Leading Practice	LB Haverin g	Commentary	Assessment
				automated with spreadsheets and a total of 85k invoices pa	
AP payments made electronically (Perform! World Ltd)	70%	98%	94%	8,800 Cheque / 34,800 BACS The number of invoices paid by BACS is 94% this is because in a payment run all invoices to one supplier will be amalgamated into one payment	😊
AP Average number of creditor days (Perform! World Ltd)	45	35	30	Only includes the time from when invoice entered into Oracle AP. Doesn't include the time it takes for paper invoices to be manually coded, approved and sent to Payments Team	😊
T&E Department Cost per Expense Report (PwC)	£8.95	£4.39	£4.90	Once a paper based expense report has been received by Payroll, there is an efficient process to check, create the payment and file the claim. However, this benchmark doesn't capture the time and effort it takes for the claimant to create a paper based claim, get it approved and then post to the Payroll team. Based on 9600 expense reports pa	😊


Metric	Average	Leading Practice	LB Havering	Commentary	Assessment
				and 1.02 FTE's and a cost of £41.4k, pension contributions of 10% and £1500 accommodation per FTE pa	
Total Expense reports processed per Expense FTE pa (Perform! World)	8,750	15,780	9412	Despite the efficient process for expenses, there is room for more expenses to be processed per Expense FTE. Based on 9600 expense reports and 1.02 FTE's processing expenses =	😊
Staff Expenses % Automated (Perform! World)	24%	85%	0%	The Council's expense process is manual and paid through Payroll	😞



Comparative Assessment of the Council against Leading Practice

Leading Practice	Current Practice in Havering	Compliance
Centralised Procurement Team working as a shared service (in-house or outsourced) to obtain cost-effective, consistent and scalable operational capability that benefits from economies of scale and provides all internal customers with a purchasing service that meets their business needs	The Council has a small centralised Business Development Unit (BDU) consisting of 11 FTE's. BDU are responsible for: i) managing 17 corporate contracts; ii) the eProcurement tool; iii) policies, procedures, corporate contract register and procurement training and; iv) providing specific expertise and support to the business. However, the Council is potentially missing opportunities from economies of scale and control as there are a significant number of	

Leading Practice	Current Practice in Havering	Compliance
	<p>Contract Monitoring Officers (CMO's) within the Service Lines which tender for and manage 100+ contracts. Adult & Social Care is also setting up a Commissioning Unit.</p> <p>As part of the Efficiency and Enabling Board, BDU constantly explores opportunities to collaborate with other Local Authorities to save money on procurement activities, e.g. LB Redbridge agency contract and London Contracts Supplier Group where the Council is the lead authority for 3 contracts including office furniture and stationery. The latest cumulative Procurement Savings report for Dec-09 estimates current savings at £1.08m with forecast savings of £1.12m by Dec-12 which shows a shortfall against the £10m target of £8.89m although some of this shortfall will be because savings initiatives are yet to be identified for 2010-12.</p> <p>BDU have started to consult with the Service Lines on current and future needs and believe that policies and procedures are followed on the whole. However, as the majority of processes are paper based, it's difficult to monitor this and some internal customers will by-pass the system.</p>	
Standardised procurement	Guidance for all procurement	

Leading Practice	Current Practice in Havering	Compliance
policy and processes	<p>policies and procedures is available on the intranet. BDU maintain a database of CMO's and key stakeholders within the business who are invited to workshops when major changes are made to policies, e.g. regulatory changes, gateway process for purchasing consultants</p> <p>Policy is followed as far as BDU know. However, the eProcurement tool hasn't been rolled out to many users so it's not easy to monitor compliance. There are also a number of alternative processes that could be followed, e.g. manual (phone, email, supplier website), eProcurement, p-Card etc.</p>	
Clear Procurement Strategy in place linked to business strategy, monitored and reported on	<p>The Council has published a 3 year Corporate Procurement Strategy linked to the Council goals. The objective is to deliver efficiency savings of £10 million from 2009-12. To Dec-09, approximately £1.08m of savings had been achieved and savings are forecast to be £1.12m by Dec-12 which is short of the £10m target. The strategy is supported by senior management and is reported on quarterly. The strategy is supported by the Service Plan.</p>	
Spend Analysis and Management Information (MI) used to formulate strategies, review performance (benchmarking)	<p>The majority of the Councils procurement follows a paper based process making it difficult to analyse spend although this will improve as</p>	

Leading Practice	Current Practice in Havering	Compliance
and savings targets, used in supplier negotiations and to monitor KPI's. Have accurate MI in real time, at the desktop and ability to create bespoke reports	<p>eProcurement is rolled out. MI mainly comes from invoice payment history (not order information) which takes time to manipulate the data before it can be used for spend analysis and there is limited ability to perform proactive monitoring or alerts, e.g. to identify spend patterns and opportunities for further savings. The granularity of data is also at a different level to that required by Procurement.</p> <p>Havering Performs provides a high-level online dashboard but the data is manually input on a monthly basis.</p> <p>The value of good MI is demonstrated by the £500k saving on Agency Labour over the last 2 years based on the information provided by the Comensura system.</p> <p>The Council has a £10m saving target for 2009 – 2012 although it's not clear whether this target was calculated from detailed spend analysis.</p> <p>The Council occasionally participates in CIPFA benchmarking and participates with other East London Authority Heads of Procurement to discuss performance but there is no structured programme of monitoring performance through benchmarks.</p>	
Centralised AP team working as a shared service (in-house or outsourced) to obtain cost-	The Council has a small centralised Payments team consisting of 7 FTE's that just	

Leading Practice	Current Practice in Havering	Compliance
effective, consistent and scalable operational capability that benefits from economies of scale	input and pay approved invoices. The Council is potentially missing opportunities from economies of scale and control as the majority of invoices are sent to the service lines for validation, coding and approval (40k paper invoices pa); and invoice / supplier queries managed by the service lines.	
Cross-functional approach / plan between accounts payable and purchasing, with clear roles and responsibilities for supplier management and invoice dispute resolution	The Council occasionally has discussions over particular challenges and work has been undertaken to align BDU and Finance objectives on finance information. The more formal processes and structures introduced by eProcurement will require BDU and Finance to work more closely together in future to manage: invoice hold resolution; approvals, early payment discounts and master data, e.g. suppliers. The Council is already having issues with eProcurement orders not matching invoices but the real impact to financial reporting has not been seen as the value and volume of these orders are quite low at this time, e.g. orders being left open and payments being made to incorrect supplier accounts	
Standardised source to pay processes should cover all areas of external expenditure (including Expenses), be well defined, mandated,	BDU publish tender process online that support local and national procurement rules across all spend, differentiating on tender value. BDU manage	

Leading Practice	Current Practice in Havering	Compliance
communicated and supported by technology that is fully integrated to payment	<p>all corporate tenders but will only get involved in other tenders if requested by the owning service line. The process is paper based but eAuctions have been used to negotiate new contracts, e.g. stationery.</p> <p>Two sets of standard Terms and Conditions (T&C) are published but the risk to the council is difficult to monitor as there's no electronic tool that details all variations to these T&C's. Contracts are tracked in an Excel spreadsheet internally and on the Capital Ambitions Contract Register. However, these tools have no ability to store and report on performance reviews for the contract. There is a target to only actively manage 50 of the 100+ contracts by 2012.</p> <p>eProcurement is in the process of being rolled out but only a small proportion of spend (value and category) is processed through it at this time. There is also no published 'eProcurement' strategy to provide direction for the implementation and detail how the Council and therefore, its employees will benefit. Feedback indicates that there is confusion within the business and suppliers about how to use the system, e.g. non-catalogue requests, ability to receipt in prior periods and the need to create an invoice to</p>	

Leading Practice	Current Practice in Havering	Compliance
	<p>match the order etc. The vast majority of orders are still processed manually on the phone or paper.</p> <p>There has been a focus to reduce the number of paper based invoices over the last 2 yrs resulting in the BT One Bill and more spend processed on p-Cards (although not through the standard Oracle process). However, the majority of invoices are paper based (53%), are manually entered into the system and not matched before payment.</p> <p>The Council has a robust supplier performance management approach for corporate contracts but the management of Service Line contract suppliers is variable and the BDU team do not have the resource to proactively monitor and report on them.</p> <p>Expenses are processed through a paper based process and paid through payroll.</p>	

Business Intelligence

Current Assessment and Needs Summary

The Council use a variety of software products, spreadsheets and databases to produce management information. A strategic view of information or reporting tools does not exist and there is no single reporting platform to give a consistent view of data across the business. The reporting tools that are in place are loosely integrated and the use of applications such as Excel to manipulate data is common. Havering Performs (HP) is the Performance Management tool used to report upon Service KPIs; Oracle Discoverer is used to produce monthly financial information; it takes two FTE's a month to create the HR monthly performance packs using Excel with input data from Cyborg Payroll system. A new system for Planning, Budgeting and Reporting is currently being implemented. This is intended to replace the role of Discoverer in generating month end Budget Monitoring reports.




The fragmented nature of Council systems means that the availability of data for reporting can be limited. The production of reporting packs is time consuming, requires manual intervention and data has to be collated from several different sources. Quarterly Members packs are not currently linked with Financial data, Head of Service packs are manually constructed, containing information from a variety of sources and HR data is pasted into spreadsheets in order to produce key business metrics. There are plans in place to link Havering Performs with the new Collaborative Planning tool which would mean that Members Packs contain financial data, but this work has yet to commence.


The current information and reporting landscape at the Council means that a significant amount of time is spent manipulating information into reports appropriate for the business. As reports such as the Head of Service pack are manually created, this can mean that it is out of date almost as soon as it is published. A large proportion of effort is also spent analysing information in order to identify problem areas and exceptions, as seen with the creation of the HR performance report. This means that there is less time to proactively manage these areas of exception and more time is spent on the administrative task of producing the reports.



A cohesive information strategy based around Council objectives and a specific technology would help generate focus on management information. A business intelligence tool such as Oracle Business Intelligence (BI) would provide the Council with the capability to build a single reporting platform, enabling a cohesive view of information across the Council. This comprehensive view of information would give visibility and insight into the current business processes, reduce the amount of time spent manually creating reports and provide each employee with relevant, up to the moment


and actionable intelligence. This in turn leads to more effective business processes supported by better and quicker decisions.

Comparative Assessment of the Council against Leading Practice

Best Practice	Current Practice in Havering	Compliance
The Council has an explicit information strategy that is directly aligned to the corporate plan and is well funded, organised and supported by the Corporate Management Team.	There is no cohesive document which clearly sets out the Councils information objectives and technology strategy.	
Business information reporting is accessed in a consistent fashion across the Council.	The Council do not currently have a single solution to cater for reporting requirements. There are different tools in use across the organisation; these are: 1. Financial management information is produced using Oracle Discoverer. This includes month end statements and ad-hoc request capability. 2. Collaborative Planning (CP) is currently being implemented as a solution for Financial Planning, Budgeting and Reporting. 3. HR Performance information is produced using Excel with information taken from Cyborg. 4. Frontline performance management data is created, maintained and delivered using Havering Performs (HP)	
Intuitive and role based information is delivered to all, from front line employees to senior management, in order to enable better decisions, actions, and business processes.	There are a number of different methods used within the Council in order to deliver information to employees, managers and Council members. Feedback from one to one interviews suggests that	

Best Practice	Current Practice in Havering	Compliance
	<p>reports are not focussed on specific areas of note or issue, so it is difficult to make informed and quick decisions based on the information.</p> <p>The HR Performance report is manually produced by the workforce planning team on a monthly basis. This is created manually and contains a range of HR related metrics. The report is emailed to Service Heads.</p> <p>The Head of Service Pack is manually created by Finance for each service line on a monthly basis. There is a link to these sheets on the Havering intranet site and departmental managers have access to download these on a monthly basis.</p> <p>Havering Performs (HP) contains the Service Plans from across the organisation. The Performance Management team create a Members pack on a quarterly basis which is based on data from HP. An online dashboard is also available to Heads of Service. Existing FIS users based outside Finance do not find the system to be user friendly, and often need help to interpret coded information.</p>	
<p>Employees should be trained and empowered to be able to “self-serve” while accessing information rather than “requesting” it from others.</p>	<p>As there is no single tool for reporting, employees have to be trained to use a variety of tools in order to access the information they require. Council Members are provided</p>	

Best Practice	Current Practice in Havering	Compliance
	<p>with a online link to the monthly Members pack and are encouraged to embrace a 'paperless' policy when viewing the report. There has been some resistance to this drive by a number of Members who are keen to retain the paper versions.</p> <p>Finance staff use Discoverer in order to view the Financial information for their departmental area. There is a suite of standard reports available and some users have the skills required to create their own ad hoc reports.</p>	
<p>Management Information is produced in an accurate and timely manner</p>	<p>Due to the fragmented application landscape at the Council, the production of timely and accurate management information is a problem. The HR and Heads of Service reporting packs that are produced on a monthly basis can be out of date before being published due to the fact that they rely upon a manual process to collate data.</p> <p>The Havering Performs solution is reliant upon the timely and accurate entry of data to support the production of the Members pack, as this data is entered manually by the Service Lines.</p>	
<p>All reporting uses the same core information with users allowed to create customised reports for local use.</p>	<p>There is no central core of information in place at LBH. Data is extracted from a number of sources and manipulated on spreadsheets in order to produce reports that</p>	

Best Practice	Current Practice in Havering	Compliance
	contain the right data.	
Reports are produced from a reporting tool in a format appropriate for presentation.	<p>Finance Reporting is currently produced using Oracle Discoverer. Outputs are downloaded into Excel and are manipulated manually in order to achieve a format that is acceptable to Havering.</p> <p>A new solution for Planning, Budgeting and Reporting is being implemented (Collaborative Planning) and some new reports are currently being designed.</p> <p>The Havering Performs tool outputs online reporting in the form of metrics and graphs which don't require any manual intervention and the user interface is friendly.</p>	

Information and Communications Technology (ICT)

Current Assessment and Need Summary

The Council does not currently have a comprehensive and documented ICT strategy which is strategically aligned to the Council's Forward Plan. Although an IS Strategy exists, it has not been updated since June 2008, and does not present an up-to-date strategic view on how ICT will be aligned to future business needs². It does not appear to have full visibility with senior management across the Council. Support for existing back office systems is carried out in house by Council employees. Recent investment in hardware by the Council has provided the capability to run additional services.

The intention to undertake a transformation programme that involves the implementation of additional Oracle modules will place higher dependence on ICT infrastructure and systems. Although the new Council hardware has been configured solely to run the existing services, Capgemini has consulted with IBM Hardware Solution consultants who have confirmed that the new IBM P570 server will comfortably support the enhanced Oracle solution – see section 0 below for further detail. The Council may need to consider, however, a separate hardware solution for Business Intelligence (BI) and the anticipated significant increase in processing requirements that would arise from its implementation. More detailed consideration of the Council's future hardware requirements is provided in section 0 below. There are also a number of 'non-corporate' solutions in place at the Council which are not supported by ICT and inadequate support arrangements are often put in place by the business.



The implementation of a larger Oracle footprint may mean that current support processes for back office will not be sufficient. As part of the move to Shared Services, the Council should look to develop an Oracle Competency Centre to manage such areas as Compliance, Control and Master Data Management. The Council needs to review its license agreements to ensure that it will not be in breach of Oracle support or commercial agreements.



The creation of an encompassing ICT strategy aligned to the Council's Forward Plan would ensure that a rigorous governance framework is in place to support future ICT decisions. The extent to which the new hardware will meet future requirements will need to be ratified by a formal sizing review but initial thoughts are that there is potential capacity to run extra applications and support additional users. The current support model will need to be extended, staff will need to be up-skilled, service level agreements and processes defined. In addition, Oracle licensing will need to be reviewed to ensure that





² The Council has indicated that this document will be updated in the next few months. The output of this Discovery and Diagnostic review is expected to provide a foundation to develop the ICT Strategy.


Oracle EBS and Oracle Enterprise database licences are not exceeded. This should be undertaken in the context of the new ICT strategy.

Comparative Assessment of the Council against Leading Practice

Leading Practice	Current Practice in Havering	Compliance
Technology lead business transformations, and other technology initiatives are undertaken in the context of a comprehensive ICT Strategy which is aligned to and supports the Council's Forward Plan and overall business strategy.	<p>The Council does not currently have a comprehensive and documented ICT strategy which is strategically aligned to the Council's Forward Plan. Although an IS Strategy exists, it has not been updated since June 2008, and does not present an up-to-date strategic view on how ICT will be aligned to future business needs. Service lines are not provided with any formal guidance on ICT, leading to the implementation of a range of point solutions which are not fully integrated.</p> <p>Non-corporate systems are not currently supported by ICT, resulting in often inadequate ad hoc support arrangements being put in place by the business, placing the business at risk.</p> <p>The output of this Discovery and Diagnostic review is expected to provide a foundation to develop an ICT Strategy.</p>	
Develop and maintain 1 year and 5 year road maps that align strategic business requirements with ICT infrastructure. This should include hardware capacity sizing and performance forecasting.	<p>There are no current roadmaps in place at the Council which align the strategic business requirements with infrastructure.</p> <p>The Council has recently purchased a new IBM P570 server to run the existing systems. It is understood that a</p>	

Leading Practice	Current Practice in Havering	Compliance
	sizing exercise has not yet been undertaken to account for future business requirements. It has been established that the new server has twice the processing power of the existing server it is replacing and can be expanded further if required.	
Monitor Oracle licence usage to ensure the business are only using the appropriate quantity of Oracle licences	The Council have purchased licences for most Oracle EBS modules. The new hardware has significantly increased processing capacity and typically this would incur additional database licence costs from Oracle. It is unclear whether this has been discussed with Oracle.	
Support services should be centralised, with all calls being logged via a helpdesk function. A centralised Oracle Centre of Excellence should be responsible for Administration, Compliance, Control, Master Data Management across the application suite etc.	Oracle end user system administration and support is delivered in-house. There is no consistent procedure for users to log service requests across the different applications run by the Council. Indeed, there is no consistent procedure for users to log service requests for issues within the same application, e.g. password reset, user access and technical issues. System Administration support is provided by staff within a number of functional areas, e.g. Finance, Payroll and Procurement. These teams have a good knowledge of the product within their specific area but there is a lack of cross functional knowledge.	

Leading Practice	Current Practice in Havering	Compliance
	First line Helpdesk staff have enough experience to pass calls either to the relevant Service Line support team or the technical support team.	
Customisations should be kept to an absolute minimum. Where they are used they should be well documented, including a timeline and approach for when and how the customisation can be removed.	The current Oracle implementation has been customised to support existing working practices at the Council. These customisations are currently thought to be extensive and cover forms, fields, reports and workflow (especially for CRM).	
Service Management should be aligned to ITIL (Information Technology Infrastructure Library) best practice	It is understood that the Council is in the early stages of moving towards an ITIL-based model to improve Service Management effectiveness.	
Interfaces between systems should be designed within a framework which allows for maximum reuse and automation. The architecture should be managed by exceptions with automated notifications and not require constant manual monitoring	The Council have a significant number of interfaces. A common approach has been taken for incoming interfaces. Inbound messages are received by a generic email account for each department who then performs a manual check of the data, copies the data attachment (e.g. spreadsheet) to the Unix server and processes the file. The architecture is based on legacy COBOL interfaces which aren't as flexible or scalable as new Service Orientated Architecture technology, provides limited reusability and relies on manual intervention to monitor and identify issues.	
A Network Capacity Plan should be maintained which includes bandwidth	The current 'core' network copes sufficiently with the existing network traffic. Future	

Leading Practice	Current Practice in Havering	Compliance
requirements for the following 12 months, and identifies where the network will need upgrading.	requirements will depend on the scope of the new and upgraded Oracle functionality and from where on the network the applications will be accessed from. It is understood that the network capacity between the three core offices in Romford is sufficient to support the proposed increase in scope but work needs to be performed to confirm the network capacity at outlying offices and depots.	
Business Intelligence systems should be implemented so that they don't impact the response times of Production users.	The Council has invested in hardware that supports virtualisation. It is not believed that virtualisation has been implemented and therefore the reporting solution runs on the same processors as the Oracle applications at this time. The Council has recently purchased Oracle BI Applications licenses to accommodate a separate reporting solution on the Oracle applications.	

Review of Hardware Requirements to support an Expanded Oracle e-Business Suite

To assess the viability of the new P570 server to run an expanded Oracle E-Business suite (EBS) configuration, Capgemini has consulted IBM Hardware Solution architects. IBM required the completion of their Oracle E-Business questionnaire (see below) which captures key information concerning the existing Oracle E-Business solution and the additional functionality required by the Council for the expanded solution. IBM have confirmed that the proposed enhanced solution will run comfortably on the new server using less than 2 CPU's and 12Gb memory. Given that the new server has significantly faster CPU's, we expect similar processing improvements with the non-Oracle load (although this has not been confirmed).

The expanded Oracle EBS configuration is also intended to support the Council's Business Intelligence (BI) requirements currently being provided by Oracle Discoverer. It is intended that the future BI requirement will be provided by new functionality and enabled options within Oracle EBS and therefore form part of the Oracle EBS work load on the new server. In our experience, BI implementations frequently increase in scope around the level of detail being reported and the need for more real time reporting. In both cases, this increase in BI functionality and utilisation leads to a significant increase in processing requirements, and often requires a dedicated hardware solution.

The possibility of the hardware supporting external shared services has also been investigated based on the utilisation of the new server. With the data available and knowledge of the proposed expansion in Oracle EBS functionality, it has not been possible to confirm the level of spare CPU capacity available. Our high-level analysis suggests that there will be spare capacity but it may be required during intensive business activity e.g. month end, year end etc. If other Councils were also to be hosted on the new server then it is anticipated that additional CPU's will be required and consideration given to increasing memory allocation.

Leading practice shared service solutions normally require higher degrees of resilience than stand alone solutions. In the case of Oracle EBS, this would normally include Oracle Real Application Cluster (RAC) technology. Normally RAC is implemented by deploying a number of identical cost efficient servers. The Council are not precluded from utilising RAC as the new P570 server can be clustered with smaller compatible IBM servers.

The detailed metrics used to assess hardware capacity requirements are based on volumetrics provided by the Council, and are presented in the following table:

Production Summary (assuming an rPerf of around 8.5 per Power 6 CPU 4.2 GHz):

DB Tier: 5.3 rPerf (0.7 CPU), 6GB Memory, min 2 disks, I/O as required (single node no HA or n+1 configured)

Apps Tier: 4.9 rPerf (0.6 CPU), 6GB Memory, min 2 disks, I/O as required (ditto above)

	A	B	C	D	E	F	H
2	DELIVERABLES WORKSHEET			18-Nov-09			
3	Document Expiration Date:			31-Dec-09			
4	EBS Sizing Tool Version		v12.2d				
5							
6	Oracle Products						
7	Oracle EBS Release		EBS Release 12				
8	Oracle DBMS Release		Oracle 11g				
9	Implementation		Hardware Platform	Operating System	Target CPU Utilization		
10	Database tier		System p	AIX	65%		
11	Application tier		System p	AIX	65%		
12	Database Storage						
13							
14							
15	Operational Considerations						
16	Batch (% of online workload)		40%				
17	Parallel Concurrent Processing		Yes				
18	If yes, % of total offloaded		10%				
19	Data loading w/ Open Interfaces?		Yes				
20	If yes, add. resources required		10%				
21	Number of sessions per user (All modules)		1				
22							
23	Fast Path Sizer						
24	Summary of Active Users		Total	Light	Standard	Heavy	Weighted Average # Sessions/User
25	Financials		50	10	40	0	1.0
26	Supply Chain Planning		0	0	0	0	
27	Logistics		0	0	0	0	
28	Order Management		0	0	0	0	
29	Manufacturing		0	0	0	0	
30	Sales and Marketing		0	0	0	0	
31	Service		0	0	0	0	
32	Human Resources		60	50	10	0	1.0
33	Projects		10	0	10	0	1.0
34	Procurement		55	50	5	0	1.0
35	Maintenance Management		0	0	0	0	
36	+ Others		0	0	0	0	
37	Totals		175	110	65	0	
38							
39	Estimated OLTP Transactions/Hour (Based on transaction pacing of Light, Standard, and Heavy user counts)						
40	Estimated peak OLTP volume		Total	Light	Standard	Heavy	
41	Oracle EBS online						
42	transactions per hour		2,950	1,650	1,300	0	
43	If the customer believes that actual peak transaction volumes will differ significantly from this, they should modify active user count or user type (heavy/standard/light) estimates appropriately and request an updated sizing recommendation.						
44							

1.3. Detailed Option Analysis

	Option 1 - Do Nothing	Option 2 – Re-Implementation (Big Bang)	Option 3 – Phased Re-Implementation (Core First, then extended solution)	Option 4 – Phased Re-Implementation (Finance then HR or HR then Finance)	Option 5 – Upgrade and Extend
Pros	<ul style="list-style-type: none"> No cost outlay 	<ul style="list-style-type: none"> Realisation of all benefits commences from go-live Increased project size, increases delivery focus, sponsorship and user buy-in Allows for a change to the Chart of Account structure unlike option 5 Shorter overall project than other options Earlier decommissioning of legacy systems than other options No interim processes or interfaces required Opportunity to remove modifications and make better use of 	<ul style="list-style-type: none"> Realisation of all high impact benefits start earlier than other options Core leading practice processes and policies delivered earlier than other options Lower change impact than option 2 Allows for a change to the Chart of Account structure unlike option 5 Ability to move to Shared Services more quickly than other options 	<ul style="list-style-type: none"> Implementation of Finance/Procurement and HR/Payroll not linked and can follow independent timelines Lower change impact than option 2 Allows for a change to the Chart of Account structure unlike option 5 Opportunity to remove modifications and make better use of 'vanilla' application Improved BI design as more time to design reports around 	<ul style="list-style-type: none"> Initial implementation quicker, e.g. Finance upgrade, which will enable earlier realisation of benefits than other options but potentially lower overall benefit Less change impact than other options - user design and chart of accounts structure familiarity Less data

	<ul style="list-style-type: none"> ▪ 'vanilla' application Data Migration easier than phased implementation 	<ul style="list-style-type: none"> ▪ Maintain project focus (as still large project) with less risk than option 2 ▪ Payroll implementation not on critical path ▪ Opportunity to remove modifications and make better use of 'vanilla' application ▪ Improved BI design as more time to design reports around solution and process design than option 2 ▪ More manageable client resource requirement than option 2 ▪ Project easier to manage and control than option 2 ▪ Experience suggests greater level of success with this approach 	<p>solution and process design than option 2</p> <ul style="list-style-type: none"> ▪ More manageable client resource requirement than option 2 <p>Project easier to manage and control than option 2</p>	<p>migration than other options</p> <p>Access to detailed historic data available on line</p> <ul style="list-style-type: none"> ▪ Payroll implementation not on critical path ▪ Opportunity to remove modifications and make better use of 'vanilla' application ▪ More manageable client resource requirement than option 2 ▪ Project easier to manage and control than option 2
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Cons

<ul style="list-style-type: none"> No additional benefits 	<ul style="list-style-type: none"> Take longer to start realising benefits than option 3 to 5 as go-live not as early Significant client resource requirement Broader, more complex programme to manage Higher early change impact Experience suggests higher risk of failure with this approach Opportunity cost of delay higher than other options, e.g. Payroll on critical path 	<ul style="list-style-type: none"> More complexity around interim processes / interfaces than option 2 Longer project than option 2 Benefits realised over slightly longer period than option 2 Interim process and interfaces required to synchronise HR and Payroll data. 	<ul style="list-style-type: none"> Not consistent with ERP strategy Constrains opportunity for organisation change and transformation Approach does not easily support shared services transformation Risk of being seen as a technology project rather than a business transformation project Harder to maintain project focus within the business than option 2 or 3 as seen as smaller piece of work with less potential impact Less design synergy between Finance / HR and Payroll which may inhibit 	<ul style="list-style-type: none"> Risk of being seen as a technology project rather than a business transformation project Harder to maintain project focus within the business than option 2 or 3 as seen as smaller piece of work with less potential impact Less design flexibility than other options and potentially more difficult to remove modifications. Therefore, more difficult to move to t-Gov leading practice processes Constrains opportunity for organisation change and transformation Approach does not easily support shared services transformation Less design synergy between Finance / HR and Payroll which may inhibit solution Lower expected benefits than other options 2 and 3 No saving on project duration
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			<p>solution</p> <ul style="list-style-type: none"> ▪ Lower expected benefits than options 2 and 3 ▪ Longest project of all options ▪ More complexity around interim processes / interfaces than option 2 	<p>compared to re-implementation</p> <ul style="list-style-type: none"> ▪ More complexity around interim processes / interfaces than other options
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1.4. Change Readiness Assessment

Introduction

The scope of the study included obtaining an informed view of the Council's current readiness to undertake transformational change. A Change Readiness Assessment (CRA) survey was undertaken in November 2009. Its purpose was to investigate past practices in major IT enabled change initiatives that have taken place in the Council in order to identify factors that have contributed to their success or failure.

The assessment has been used to identify any specific barriers which have inhibited successful implementation of change, so that appropriate change management priorities and interventions can be applied to mitigate these risks in the planned programme. It also helps to identify any particular strengths in the organisation which can be better utilised to underpin the required change.

The assessment considered 8 standard dimensions of change:

- Clarity of Vision
- Commitment to Change
- Transformation Leadership
- Cultural Alignment
- Knowledge Transfer, Training and Skills Development
- Stakeholder Engagement and Communications
- Benefits Realisation

An online questionnaire was sent out to 72 nominated employees across the organisation to capture the required information to assess each dimension. 22 responses were received (response rate of 30%). The response rate for the CRA was not high enough to provide any statistically accurate results. Consequently the results should be regarded as indicative.

Assessment Overview

The following table summarises the Council's view of its readiness for change, based on responses to the questionnaire and the 1-to-1 interviews.

Leading Practice	Current View in Havering –quotes from interviews and questionnaire	Assessment
Clarity of Vision: Clear understanding of the imperative, scope and benefits of the transformational change, and clear links to strategic	<i>"The overall message about achieving our vision through transformation has been clear , but the 'why(s)' and end benefits ie what and for whom, may have been less clear"</i>	😊

Leading Practice	Current View in Havering –quotes from interviews and questionnaire	Assessment
priorities.	<i>“Transformation is something people are either aware of, or have heard of, but don't know what it means or where it is intended to take us, nor what impact it might have on them”</i>	
Commitment: Strong commitment to transformational change, with strong organisational incentives for change and a willingness to get involved.	<i>“....transformation is seen to be all about efficiencies rather than offering/providing services in the way the community says it needs in the most efficient way.”</i> <i>“Buy-in to transformation is patchy..... unclear whether members/cabinet are bought into this or not. Services seem to be doing their own thing and there is not a feeling transformation is a joined-up process”</i>	😊
Leadership: Strong commitment to transformational change shown by leadership team, with clearly defined leadership roles and responsibilities; leadership team deal effectively with sources of resistance and inappropriate behaviour; projects generally complete successfully and on time.	<i>“....the wider picture has been different failures sometimes for political reasons. There is a poor level of collaborative working arising from service driven rather than project driven objectives”</i> <i>“Many projects have no business case and no clear outcomes, therefore they over-run, go in different directions etc. There is a distinct risk any new transformation agenda will go the same way. There is also a need to consider business as usual”</i>	😊
Cultural Alignment: Cultural change is seen as a key factor for implementation transformational change; there is a clear view on the behaviours, values and culture required to support and enable the transformational change; the	<i>“More staff at all levels engaged in positive change projects not only in their work areas that bring about wider enthusiasm and commitment for the change agenda”</i> <i>“A silo-driven management attitude appears to exist within the council.”</i> <i>“Is there a behavioural change</i>	😊

Leading Practice	Current View in Havering –quotes from interviews and questionnaire	Assessment
gap between current and required behaviours is understood with a pragmatic action plan to bring about the required cultural change.	<i>action plan available?"</i>	
Knowledge Transfer, Training, and Skills Development: Knowledge transfer and training is adequate and appropriate to the needs of users; preparation for role and / or process changes is thorough; individual skill sets are enriched; a strong culture of collaborative working has been developed.	<p><i>"Not sure the organisation has been prepped for transformation - it's happening but unclear what skill set we need to deliver it and whether it exists."</i></p> <p><i>"Preparation for Government Connects was awful and left a lot of systems not working. Its taken months to get a good level of support from ICT to complete work however there is no strategic support from ICT in bringing in new technology"</i></p>	☹️
Stakeholder Engagement and Communications: The overall effectiveness of stakeholder engagement is high. The amount of information communicated both internally and externally is at the right level. Feedback mechanisms and resultant actions are effective. The overall effectiveness of communication has been high.	<p><i>"Always a problem area and genuinely unsure about how we do across the organisation as a whole and with others. We should use focus groups more to find out what has worked and what might work better."</i></p> <p><i>"Consistent message need to be given, more information about what we are doing and why, greater clarity over what inputs are needed"</i></p>	☹️
Benefits Realisation: Technology investment is made only where there is clear benefit accruing. Benefits of proposed projects are clearly articulated and well understood. Projects realise their full benefit potential.	<p><i>"They may have been but we are not good at robust evaluation of those outcomes."</i></p> <p><i>"Moving goalposts on projects, not having clear objectives, not having proper business cases, risk of short-termism"</i></p>	☹️

Leading Practice	Current View in Havering –quotes from interviews and questionnaire	Assessment
Competing Initiatives: There is alignment with other transformational change initiatives underway, with capacity to undertake the required transformational change, alongside other change initiatives.	A wider Business Transformation Programme is being mobilised which considers Customer Services, PLACE, Adult and Children's Services as well as Corporate Services. The Corporate Support Services Programme governance needs to be integrated in to the wider Transformation governance model.	😊

Analysis of Questionnaire Responses

Questionnaire respondents were asked to indicate the extent to which they either agreed or disagreed with a range of statements under each change dimension which represent best practice. The results are presented in the following table, with the modal response highlighted.

Introduction

		Strongly disagree	Tend to disagree	Uncertain	Tend to agree	Strongly agree	
		Percentage distribution of responses (22 responses*)					
Clarity of Vision							
1	There has been a strong awareness of the imperative for transforming the way we operate and provide services, whilst also achieving efficiencies, within our Council.	5	14	14	50	18	100
2	The scope of previous transformations within our Council has been clearly understood (organisational, process, roles, locations etc.).	14	23	27	36	0	100
3	The benefits of transforming our Council, in terms of the both the effectiveness and efficiency with which we deliver services, have been clearly understood.	5	23	14	50	9	100
	Summary	8	20	18	45	9	100
Commitment to Transformational Change							
1	There has been a strong commitment to transformation, and the achievement of efficiency savings, across all affected areas of the Council.	5	14	27	36	18	100
2	There has been a high willingness to get involved from all affected areas of the Council.	5	18	36	36	5	100
3	There have been strong organisational incentives for transforming our Council.	14	14	23	36	14	100
	Summary	8	15	29	36	12	100
Transformation Leadership							
1	There has been strong commitment to previous transformations shown by management.	14	18	27	36	5	100
2	Leadership roles and responsibilities have been clearly defined and communicated.	5	27	32	27	9	100
3	Sources of resistance to transformational change and inappropriate behaviour were addressed effectively by the leadership team.	9	18	55	9	9	100
4	Projects you have been involved with have generally been completed successfully and on time.	5	23	0	64	9	100
	Summary	8	22	28	34	8	100
Cultural Alignment							
1	Cultural change is seen as a key success factor for implementing transformational change in the Council.	0	0	18	41	41	100
2	There is a clear view on the behaviours, values and culture required to support and enable transformational change.	0	14	36	41	9	100
3	There is no significant gap between the current and required culture and behaviours.	18	36	32	14	0	100
4	There is a pragmatic action plan in place to bring about cultural change in the Council.	18	18	32	27	5	100
	Summary	9	17	30	31	14	100
Knowledge Transfer, Training and Skills Development							
1	Knowledge transfer and training has been adequate and appropriate to the needs of the users.	5	23	23	50	0	100
2	Preparation for role and/or process changes has been thorough.	14	36	23	27	0	100
3	Individual skillsets have been considered and enriched.	9	23	27	41	0	100
4	A strong culture of collaborative working has been developed.	18	23	27	32	0	100
	Summary	11	26	25	38	0	100
Stakeholder Engagement and Communications							
1	The overall effectiveness of stakeholder engagement during previous transformation projects has been high.	10	14	43	33	0	100
2	The amount of information communicated internally within the council has been right.	5	24	48	24	0	100
3	The amount of information communicated externally has been right.	0	19	52	29	0	100
4	The communication media used were satisfactory.	0	24	43	33	0	100
5	Feedback mechanisms and resultant actions have been adequate.	5	19	57	19	0	100
6	The overall effectiveness of communication has been high.	5	33	48	14	0	100
	Summary	4	22	48	25	0	100
Benefits Realisation							
1	Investment in technology is made only where there is a clear benefit, e.g. efficiency savings and service improvements.	5	20	5	60	10	100
2	Benefits of proposed projects that I have been involved with or aware of have been well understood.	5	0	25	55	15	100
3	I have derived significant benefit from previous investment in technology, through efficiency savings and service improvements.	0	10	30	50	10	100
4	Benefits of previous projects I have been involved with have been clearly articulated to me.	0	10	30	50	10	100
5	Previous projects have achieved full benefits including efficiency savings and service improvements.	5	20	35	35	5	100
	Summary	3	12	25	50	10	100
*72 people invited to participate; 22 responses received							
	denotes modal value						

1.5. Change Impact Assessment

An initial high level Change Impact Assessment was undertaken as part of the review. Its purpose was to:

1. Understand the impacts of potential business changes which would be brought about by the recommended under the following categories of impact:
 - Policy
 - Business Process
 - Workflow and Volumes
 - Skills and knowledge
 - Culture and Ways of Working
 - Organisational Design and Alignment
 - Roles and Responsibilities
 - Performance Management and Reward
 - Transitional and implementation impact.
2. Start to define the possible change enablement interventions that will need to take place for the required business changes, to ensure that they will be successfully embedded in the business. These potential interventions can then be used to inform the overarching Business Transformation approach, including the Stakeholder Engagement and Communication Strategy, and the Education and Training Strategy.
3. Provide an initial insight to the leadership team and key stakeholders regarding key organisation change challenges and outline where effort should focus to manage the change enablement process.

A variety of sources have been used to collate the required information about the potential impacts on the organisation that would arise from undertaking the programme, in particular:

- Outputs from benefits analysis, recommended solution and roadmap;
- Discussions and workshops with Subject Matter Experts (SMEs) who have a good understanding of the business changes, and the organisations being impacted;
- Focus interviews with Directors and Heads of Service.

Assessment

From the assessment, the following table summarises the extent of the change impacts across the main functional areas impacted:

Business Function	Impact on:									Overall Impact Assessment*
	Policy	Business Process	Workflow and Volumes	Skills & Knowledge	Culture and Ways of Working	Organisational Design & Alignment	Roles and Responsibilities	Performance Management & Reward	Transitional and Implementation Impact	
HR / Payroll	●	●	●	●	●	●	●	●	●	●
Finance and Asset Management	●	●	●	●	●	●	●	●	●	●
Projects and Portfolio Management	●	●	●	●	●	●	●	●	●	●
Procure to Pay	●	●	●	●	●	●	●	●	●	●
Business Intelligence	●	●	●	●	●	●	●	●	●	●

Key to Assessment Rating:	
●	Fundamental Business Impact
●	Significant Business Impact
●	Moderate Business Impact
●	Little or No Business Impact

* Overall Impact Assessment rating is based on modal rating value across the individual change categories

The embedded MS-Excel spreadsheet below includes a full narrative assessment of the change impact in each functional area impacted (HR and Payroll; Finance and Asset Management; Project and Portfolio Management; Procure to Pay and Business Intelligence)



Full Narrative
Change Impact Asses

1.6. Oracle Module Overview

The following section provides a brief overview of the functionality supported by each of the Oracle modules

- | | |
|----|--|
| GL | Oracle General Ledger provides highly automated financial processing. It provides tools for effective management control and real-time visibility to financial results. |
| AR | Oracle® Receivables allows you to streamline invoicing, receipt, and customer deduction processing while improving cash flow, optimizing customer relationships, and providing strategic information. It provides the flexibility to meet the demands of a global market with strong financial controls to assist in instilling corporate and fiscal discipline. Oracle Receivables is the cornerstone of Oracle's Credit to Cash solution which helps you improve cash flow, increase efficiencies and optimize customer relationships. |

AP	Oracle® Payables, an expenditure management tool, streamlines your procure-to-pay process while providing strong financial controls and strategic financial information.
CM	Oracle® Credit Management gives you the information and tools you need to monitor and evaluate the creditworthiness of your customers and make informed credit decisions faster. With a wealth of timely internal and external data, you can balance growth with financial stability by tailoring your credit policies to your business needs and market conditions.
FA	Oracle Financials helps financial officers create an information-driven enterprise that synchronizes data centrally from all systems—including third-party systems—so financial information is consistently collected, calculated, analyzed, and stored, ensuring data integrity while reducing costs.
Project Costing	Oracle® Project Costing helps you improve the bottom line of your projects by integrating and controlling global project costs. You can effectively manage project budgets, streamline processing, automate resource sharing administration, and capitalize assets more efficiently. Oracle Project Costing is an integrated part of Oracle Projects suite.
Project Management	Oracle® Project Management provides project managers the visibility and control they need to deliver their projects successfully. All elements of the project lifecycle including planning budgets and forecasting costs and revenue, managing issues and change requests, and managing project performance, are integrated and stored in one repository, enabling project managers to operate more efficiently and effectively. Oracle Project Management is an integrated part of Oracle Projects.
iExpenses	Oracle® Internet Expenses is a robust travel and expense solution that streamlines and automates travel spend management and establishes policy-driven controls for expense reimbursement.
PO	Oracle® Purchasing is the application that helps you define suppliers and agreements, and then enables you to automate your entire procurement cycle from purchase order to settlement. It drives operational excellence in Procurement processes.
iProcurement	Oracle iProcurement is the self-service requisitioning application that controls employee spending. Oracle iProcurement provides a Web-

based shopping system that allows employees to create, manage, and track their own orders while the Purchasing department retains central control

Services Procurement	Oracle Services Procurement is the enterprise application that enables complete control and oversight for services spending. From service specification, through contracting, and payment, R 12 has been designed to tame complexity and drive visibility
Sourcing	Oracle® Sourcing is the enterprise application that improves the effectiveness and efficiency of strategic sourcing through online collaboration and negotiation. It will equip sourcing professionals to tackle more complex categories and implement virtually any sourcing and negotiation strategy. It is a key component of Oracle Advanced Procurement, the integrated suite that dramatically cuts all supply management costs.
Procurement Contracts	Oracle Procurement Contracts is the enterprise application that creates and enforces better purchasing contracts. It is a key component of Oracle Advanced Procurement, the integrated suite that dramatically cuts all supply management costs.
iSupplier	Oracle® iSupplier is the enterprise application that structures all supplier communication through a secure, internet-based portal. It is a key component of Oracle® Advanced Procurement, the integrated suite that dramatically cuts all supply management costs iSupplier R 12 provides a 'supplier facing' view of new capabilities including: Better Supplier Change Order, Performance, and Status Tracking ; Improved Supplier Profile Management and Registration; Expanded Collaboration and Usability Enhancements; New Supplier Catalogue Authoring; Invoicing Enhancements
HR	Oracle® Human Resources (HR) allows you to adopt structured approaches to attracting, retaining, developing and using the critical skills and knowledge needed to improve the capability of your business to meet new challenges.
iRecruitment	Oracle iRecruitment is a full-cycle recruiting solution that gives managers, recruiters and candidates the ability to manage every phase of finding, recruiting, hiring, and tracking new employees. Focused on the manager-recruiter-candidate hiring relationship, this end-to-end recruitment offering incorporates all aspects of applicant tracking with capabilities that allow managers, recruiters and candidates to fully manage the entire recruiting cycle via a self-

service interface.

OTM	Oracle Talent Management (integrated modules Oracle Performance Management implemented as part of core Oracle HR along with Compensation Workbench and Learning Management) provides a comprehensive and effective way to maximise and retain the talent within an organisation, from assessing employees through to ensuring that the right learning and development is provided.
OLM	Oracle Learning Management (OLM) is an enterprise learning management system (LMS) that lets organizations manage, deliver, and track training participation in online or classroom-based environments. Learners can find the learning they need, and take the learning in the most appropriate delivery mode (in a classroom, in a virtual classroom, or eLearning). Managers can automate key business flows - from order processing to training delivery; from performance appraisals to training assessments - and keep tabs on their team's learning and development. Instructors can manage their own schedules, classes, and rosters. Executives can measure the effectiveness of learning activities and ensure alignment with organizational objectives. Learning Administrators can efficiently manage all the catalogue objects, learners, and related resources from a centralized system. In sum, turn learning into a business advantage with Oracle Learning Management.
HR Self-Service	Oracle Self-Service Human Resources (HR) allows your workforce to update and use employee-specific information, online via a browser, that is personalized to an individual's role, experience, work content, language, and information needs.
Payroll	Oracle® Payroll is a high-performance; graphical, rules-based payroll management system that is designed to keep pace with the changing needs of your enterprise and workforce in order to reduce set-up costs, administrative time and processing errors.
Governance, Risk and Compliance - Access Controls Governor	Oracle Application Access Controls Governor provides real-time monitoring and proactive enforcement of crucial access policies, such as those that support segregation of duties (SOD). The system anticipates potential SOD conflicts before they arise, and even prevents any assignment of roles or responsibilities within an application that would compromise proper segregation of duties. Application Access Controls Governor also extends key access

controls to "super-users" and temporary or contract workers.

Governance, Risk and Compliance - Preventive Controls Governor

Oracle Preventive Controls Governor provides fine-grained control over user viewing and editing of key data, while tracking changes (or attempted changes) by users. With it, you can limit or control which data field's applications users can change or see, define the types of data users can input in various fields, and limit the values of transactions to enforce regulatory or corporate guidelines. This provides not only assured regulatory compliance and protection against fraud, but also the prevention of many common data-entry errors.

BI Apps – Finance

Oracle Financial Services Applications (OFSA) and Oracle Business Intelligence Enterprise Edition (OBI-EE) have been completely integrated into an industry leading profitability Business Intelligence application: Oracle Financial Services Profitability Analytics (OFS-PA) giving access to turnkey actionable information that drives greater efficiency and service, lowers cost, and increases competitiveness.

Oracle Financial Intelligence (OFI) is an integrated web enabled performance management system for Oracle Financial Applications. As a module of the Oracle Business Intelligence System, OFI offers out-of-the-box reporting and analysis by providing reliable and timely information throughout an organisation

BI Apps – HR

Oracle Human Resources Analytics provides the workforce information your human resources (HR) professionals and front-line managers need to analyze workforce staffing and productivity, and to better design compensation that rewards performance.

Oracle Daily Business Intelligence for Human Resources is pre-built decision support system for Oracle HRMS that helps you analyze and manage all your HR processes. It provides access to accurate, timely, comprehensive data from your HRMS applications and provides the tools to make better, more strategic decisions.

BI Apps – Procurement

Oracle Procurement & Spend Analytics, part of the Oracle BI Applications product line, enable organizations to optimize their supply side performance by integrating data from across the enterprise value chain and enabling executives, managers, and frontline employees to make more informed and actionable decisions.

Time & Labour	<p>Oracle® Time & Labour is an intuitive web-enabled timecard solution that allows you to reduce costs associated with time and attendance record keeping by completely automating time record keeping.</p> <p>Oracle Time & Labour is part of Oracle's Human Resources Management System (HRMS), a key component of the Oracle E-Business Suite, which is designed to optimize your workforce.</p>
Application Management Packs	<p>The Application Management Packs enable lower cost of application ownership for the e-Business Suite. They provide enhanced management, monitoring and automation of time-consuming manual processes, e.g. configuration management, cloning environments, patching, deployment of code and configuration</p>
Oracle Testing Suite	<p>Powerful, automated, integrated testing solution for ensuring application quality, performance and reliability. The tool reduces the time required to complete testing cycles whilst maintaining test quality.</p>

1.7. Change Impact Assessment

The following table summarises the potential benefits that will be delivered by an Oracle enabled ERP and Internal Shared Services Strategy at Havering. In our experience, until the detailed benefits analysis and benefits realisation planning has been undertaken in the early stages of the transformation, it is difficult to predict precisely the actual benefits achieved in each area. However, we believe that the model provides a good indicative overall view of the level and nature of the benefits.

Technology and Full transformation

		Baseline 2010/11	Go Live Year 1 2011/12	Year 2 2012/13	Year 3 2013/14	Year 4 2014/15	Year 5 2015/16	Year 6 2016/17	Year 7 2017/18	Year 8 2018/19	Year 9 2019/20	Year 10 2020/21
HR	FTE Productivity Improvements	£0	£532	£798	£1,257	£1,257	£1,450	£1,450	£1,450	£1,450	£1,450	£1,450
	Accommodation Savings	£0	£27	£41	£64	£64	£74	£74	£74	£74	£74	£74
	Legacy Systems Savings	£0	£16	£32	£32	£32	£32	£32	£32	£32	£32	£32
	HR Total	£0	£575	£871	£1,353	£1,353	£1,556	£1,556	£1,556	£1,556	£1,556	£1,556
	HR Cumulative Total	£0	£575	£1,446	£2,799	£4,152	£5,708	£7,264	£8,819	£10,375	£11,931	£13,487
Finance	FTE Productivity Improvements	£0	£303	£455	£699	£699	£792	£792	£792	£792	£792	£792
	Accommodation Savings	£0	£15	£23	£35	£35	£40	£40	£40	£40	£40	£40
	Interest on cashflow/bad debts	£0	£510	£765	£1,020	£1,020	£1,020	£1,020	£1,020	£1,020	£1,020	£1,020
	Legacy Systems Savings	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	Finance Total	£0	£829	£1,243	£1,754	£1,754	£1,851	£1,851	£1,851	£1,851	£1,851	£1,851
	Finance Cumulative Total	£0	£829	£2,072	£3,826	£5,580	£7,431	£9,283	£11,134	£12,985	£14,836	£16,688
Procurement	FTE Productivity Improvements	£0	£367	£550	£831	£831	£929	£929	£929	£929	£929	£929
	Accommodation Savings	£0	£18	£26	£40	£40	£44	£44	£44	£44	£44	£44
	Procurement price savings	£0	£170	£681	£1,022	£1,363	£1,363	£1,363	£1,363	£1,363	£1,363	£1,363
	Legacy Systems Savings	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	Procurement Total	£0	£554	£1,257	£1,893	£2,233	£2,336	£2,336	£2,336	£2,336	£2,336	£2,336
	Procurement Cumulative Total	£0	£554	£1,812	£3,705	£5,938	£8,273	£10,609	£12,945	£15,281	£17,616	£19,952
Total		£0	£1,958	£3,371	£5,000	£5,341	£5,743	£5,743	£5,743	£5,743	£5,743	£5,743
Cumulative Total		£0	£1,958	£5,330	£10,330	£15,670	£21,413	£27,155	£32,898	£38,641	£44,383	£50,126

The following assumptions have been used in the calculation of the benefits profile above:

General:

- Accommodation calculated at £1.5k per employee
- FTE costs used in the model do not include Pension Contributions and the model pro-rated salaries that had already been provided as pro-rated. Therefore, FTE costs have been understated

Finance:

- Bad debt provision is £18.4m (Annual Accounts 08/09)
- Estimated expected savings = 5% pa;
- General debtors balance at year end 08/09 is £50m
- Assumed interest rate = 4%

Procurement:

- Assumed baseline spend is a conservative £54.5m pa (excluding social care & learning, schools and highways)

Phasing of Benefits:

- Core Finance, Procurement and HR implemented together in 2010
- Schools not included in benefits model (Schools HR is)
- 50% of full yearly FTE efficiency potential delivered in go-live year (2011/12)
- 75% of full yearly FTE efficiency potential delivered in 2nd year (2013/14)
- 100% of full yearly FTE efficiency potential delivered in 3rd year onwards (2014/15)
- Procurement savings profiled at 12.5%, 50%, 75% over first 3 years.
- Continuous Improvement gains in year 3 and 5.

Initial productivity improvement – Estimate of potential							
Finance	Accounts Receivable	Internal Audit	Finance Operational	Income & Banking	Insurance	Strategic Management	
Technology / BPR (%)	5%	5%	5%	5%	5%	5%	
Centralisation (%)	10%	0%	10%	0%	0%	0%	
Shared Services (%)	10%	10%	10%	10%	10%	10%	
Additional Continuous Improvement target	0%	0%	0%	0%	0%	0%	
Total % Productivity Improvement to year 5	25%	15%	25%	15%	15%	15%	
Procurement	Accounts Payable	Operational Procurement	Strategic Procurement				
Technology / BPR (%)	10%	10%	0%				
Centralisation (%)	10%	10%	0%				
Shared Services (%)	10%	10%	0%				
Additional Continuous Improvement target	10%	10%	0%				
Total % Productivity Improvement to year 5	40%	40%	0%				
HR	Payroll	Operational HR	Learning & Development Admin	Recruitment	Pay Forecasting	Pensions Admin	HR Strategic
Technology / BPR (%)	10%	10%	10%	10%	10%	10%	10%
Centralisation (%)	0%	5%	5%	5%	0%	0%	0%
Shared Services (%)	10%	10%	10%	10%	10%	0%	0%
Additional Continuous Improvement target	0%	0%	0%	0%	0%	0%	0%
Total % Productivity Improvement to year 5	20%	25%	25%	25%	20%	10%	10%

1.8. Appendix 8 – Scope of Shared Service Activities

The following diagram illustrate how different activities within each of Finance, HR and Procurement functions might align to the Internal Shared Service Operating model

