

EAST RENFREWSHIRE COUNCILCABINET3 December 2020Report by Chief ExecutiveCORE SYSTEMS IMPLEMENTATION – PROGRESS REPORT**PURPOSE OF REPORT**

1. The purpose of this report is to update Cabinet on the implementation of the new Finance/Procurement and HR/Payroll ICT systems.

RECOMMENDATIONS

2. It is recommended that Cabinet:
- a) notes the successful implementation of the new Finance and Procurement ICT system;
 - b) notes the revised plan for implementation of HR & Payroll system as a result of COVID-19;
 - c) notes that the overall Programme remains within budget, but that there may be future costs, dependent on the level of efficiencies that can be projected from future phases of the programme;
 - d) commends the continued delivery of this complex programme across a challenging year and the ongoing realisation of early business efficiencies from the phases delivered to date.

BACKGROUNDModern, Ambitious Programme

3. The Council's Modern, Ambitious Programme (MAP) seeks to change the way we work, with a particular focus on the capabilities of modernising, digital and data.

4. Much of the corporate change capacity over the last 2 years has been focused towards complex replacements of some of our most fundamental ICT legacy systems that touch every employee and every household in East Renfrewshire. The focus of this report is the Core Systems programme, but it is important to view that in the broader context of other intense programmes including the Council Tax and Benefits system replacement, due to 'go live' in December 2020, and the Digital Customer Experience programme which, as a first stage in a long-term change journey, successfully replaced the Council's website in July 2020.

5. Work is ongoing across the Council to review projects and capacity and reprioritise in the light of COVID-19 and the pressures on budgets.

Core Systems

6. In 2018 Cabinet was introduced to a specific programme aimed at modernising and transforming the processes and systems used to manage Finance, Procurement, HR and Payroll – we call these the Core Systems as they are integral to so much of the Council's business.

7. The primary goals of the Core Systems programme to renew our Finance, Procurement, HR and Payroll solutions are to support and drive cost savings and efficiencies by:

- providing a 'single source of the truth' that will allow accurate and informative reporting;
- implementing best practice processes that support automation and can enforce compliance;
- improving user experience with modern technologies and providing self-service functionality for employees and managers.

8. System changes as significant as this requires a critical focus on financial controls and rigorous testing. They are lengthy implementations given the requirements of the different stages, which include: procurement; mapping of 'as is' and 'to be' processes; testing; training; implementation; embedding; and improving business processes.

9. It is common for there to be delays in these types of implementations as they strive to manage the complexity of the programme and ICT infrastructure alongside the need to get processes and controls right in advance of going live.

REPORT

Finance & Procurement System

10. Following a successful procurement exercise, in November 2018, the Council awarded a 5-year contract for the new Finance/Procurement system, with scope for five 12-month extensions if required.

11. The first phase of the Finance/Procurement system was successfully implemented in November 2019. This was a few months later than the original plan due to contract negotiations, ICT connectivity issues and complexity of the financial processes which had to be worked through to ensure sound financial control and get agreement from across the Council, its 'family' organisations (i.e. ERCLT and HSCP) plus local auditors.

12. Implementation of such a complex system change broadly within original timescales was a significant achievement for the Council. We are now a year in and the first full year-end using the new system has been completed successfully.

13. There has been positive feedback from all departments involved and the Council has already begun to realise benefits in terms of employee self-service; digitisation of processes; elimination of spreadsheets and tighter financial controls. Work is ongoing with services to quantify the benefits to date and plan future potential.

14. Successfully implementing the new finance system is just the first phase in the project. Work is continuing to improve processes and connect the system to other systems in the Council with the aim of automating processes and further improving financial control. Delays caused by COVID-19, have meant that onward release plans for the Finance/Procurement

system have been pushed out, with the current programme now due to transition to 'business as usual' late in 2021/22. By the end of December 2020, 4 'releases' or phases of the Finance and Procurement will have been deployed.

15. The scope of the Finance and Procurement programme has also been significantly extended to cover an upgrade by the supplier of the Council's Income Management system, necessary for compliance with revised legislation related to the accessibility of the website element. To prevent clashes with the new Council Tax and Benefits system implementation, it is envisaged that the new income management functionality will now go live in Spring 2021.

HR & Payroll System

16. The HR and Payroll system has been in place since 1999 for payroll and 2009 for HR functionality and holds extensive data on Council employees. There are approximately 6000 records for just over 5000 employees including contracted and casual staff groups and HR and payroll functions covered for over 450 employees of East Renfrewshire Culture and Leisure Trust (ERCLT). The system also holds the names and posts of over 200 NHS employees at the HSCP for HR functions.

17. In March 2019 following a tendering process, the Council signed a 4-year contract with Midland iTrent for provision of a new HR and Payroll system. In December 2019, Cabinet was asked to approve an exemption from Contract Standing Orders to allow the Council to award a contract for provision of a read-only archiving licence for the current HR and Payroll system. This was to ensure the Council could meet the requirements of GDPR, and fulfil the obligations of our retention policy.

18. Implementation of the new system was originally planned for November 2019 but was delayed until Spring 2020 due primarily to the protracted supplier negotiations and challenges with staffing the project. Following discussions with the Chief Executive and various officers of the Council's leadership team, it was concluded that, due to the COVID-19 impact on resourcing and onsite working and the uncertainty surrounding the duration of the disruption, balanced against the risks to our employees' payroll at an unprecedented time, there was no choice but to delay the implementation of the HR/Payroll project until later in 2020.

19. This delay resulted in a cost to the Council of retaining the legacy HR system for an additional year. This was approved by the Chief Officer, Legal and Procurement, under emergency powers after consultation with the Leader, Deputy Leader and the Leader of the Opposition. The decision was reported to elected members as part of the update to the Council on emergency decisions made under delegated powers whilst committees were not sitting.

20. Following an intensive period of work, planning and testing in recent months, the system is now scheduled for 'go live' in December 2020, with final readiness meetings planned with the Core Systems Board in advance. There will be a programme of work lasting across 2021/22 to fully implement and embed the system.

IMPLICATIONS

21. There are planned phases of work for both systems that run well into 2021/22. These include integrating the systems with other key line of business systems to deliver the goal of 'single source of the truth' for reporting; development of reporting dashboards and e-forms to improve efficiency; and reviewing end to end business processes.

22. To truly realise the benefits from these important systems, it will be necessary to continue to maintain and develop them across future years. This will involve business as usual upgrades; troubleshooting issues and provision of user helpdesk and training; iterating business processes for maximum efficiency and taking further opportunities to improve the Council's ICT system architecture and data management and reporting.

23. We are currently considering the options for managing this ongoing demand. This will involve a restructure of several areas of responsibility and an extension of certain temporary resource to manage the transition. It is envisaged that revenue budget resources will be required for 2022/23 and in the meantime it is anticipated that Modernisation Funding will be used to cover the interim costs of the temporary programme roles.

FINANCE & EFFICIENCY

24. There was a planned total contractor budget of £5.8M to cover the Finance, Procurement and HR/Payroll solutions through the Core Systems programme. This figure reflects capital and revenue for the total contract term of 10 years. The Contract notice also reflected that the Council reserves the right to spend up to £15M over the lifetime of the Framework Agreement but with caveats that no guarantee is offered as to the final level of contract spend.

25. The complexities of these projects should not be underestimated and the risks of trying to move too quickly and without due process are significant. The progress made on both the Finance/Procurement and HR/Payroll systems over the last 2 years is to be commended. We have evidence of a number of other councils who have either failed or are struggling to deliver on the implementation of new Finance and HR systems.

26. There were financial consequences as a result of the COVID-19 delay to the implementation of the HR/Payroll system, through extension of the use of external system experts and the continuation of the contract for the legacy HR/Payroll system for a further year to enable us to maintain employee records and pay our employees accurately and on time. The implications of this decision were closely weighed against risk of proceeding with such limited onsite resources at the time.

27. Despite this, and through sound management, the overall Core Systems Programme is currently operating within its original budget. There may be additional costs to be borne in 2021/22 dependent on how far the Core Systems Board wants to go in deploying further releases of the system. The further we go in deployment of new releases and capability, the greater the efficiencies, but this needs to be off-set against cost and capacity. This will be assessed carefully by the Board in future months.

28. In addition, as we progress towards the end of the financial year 2020/21 work will be undertaken to review the outturn position in terms of benefits from the programme measured against the original business case. Many of the structural and staffing benefits will have been delivered as part of the revenue savings process in the last 2 years, although several planned efficiencies were reliant on both systems having been deployed and working in sync with one another – the delay to the HR/Payroll system will have impacted the realisation of those benefits at this time.

CONSULTATION AND PARTNERSHIP WORKING

29. These are very resource intensive change programmes, which are having implications for services right across the Council. This programme is overseen by the Core Systems Board, chaired by the Chief Executive, with senior representatives of Council services, the HSCP and Trust and a representative of Unison. The Chief Officer for Legal Services has also been regularly engaged in contractual issues through the life of this programme and the system suppliers have been a crucial resource in supporting the preparations for implementation.

CONCLUSIONS

30. The implementation of a new HR/Payroll system in the same year as a new Finance/Procurement system was always a challenging prospect. However, with strong programme and project management both projects were going well and remained on track to be completed before the end of existing contracts. The Finance/Procurement system went in broadly on time and we were on target to implement our HR/Payroll system before the implications of COVID-19 became apparent.

31. The Core Systems Programme is delivering, on budget, in spite of a number of significant challenges. We are nearing the conclusion of our first financial audit under the new system and it is testament to the good work of the Programme and our local accountants that there are no significant findings arising.

32. This is one of the most complex change programmes that the Council has ever undertaken. There remains a huge focus of work ahead as we move to deploy the next releases of the Finance system; 'go live' with the HR/Payroll system and seek to capitalise on the real business benefits. There will no doubt be further unforeseen challenges and costs, but through strong governance, clear goals and sound prioritisation, the programme has demonstrated that it can and will continue to deliver.

RECOMMENDATIONS

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Lorraine McMillan, Chief Executive

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BACKGROUND PAPERS

- Exemption from Standing Orders Relating to Contracts, 5 December 2019
- Annual Efficiency Statement, Cabinet 15 August 2019
- Update on Modern, Ambitious Programme (MAP), 25 April 2019
- Advanced Business Solutions – Finance & Procurement System eFinancials, Cabinet 17 May 2018
- Core Corporate Systems, Cabinet 15 March 2018