

SHARP PROJECT - PROGRESS

Report of the Chief Executive

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1. Purpose of Report

To inform members of progress with the project and of the revised business model.

2. Summary

The need to improve and simplify the council's back office support systems was identified within the Simply Done Review and subsequently reflected in the council's CPA assessment as an area for improvement.

This report provides an update on the work being carried out through the SHARP project to improve our finance/HR and procurement process.

3. Conclusion

Members are asked to note the actions taken to improve/develop back office support systems.

1. Background

- 1.1 The SHARP project as reported upon to the October meeting of the Committee will deliver a financial management system, payroll system, procurement system and an HR system. This will be done using SAP software. This will deliver the benefits set out in Appendix 1.

2. Progress Since October 2003

- 2.1 Finance – Following SMB review the project team was refocused and a ‘go-live’ date of April 2004 was agreed. At the same time a revised business case was adopted – as discussed with the Finance BVR and Efficiencies Member Reference Groups. The revised business case, with supporting information, is given at Appendix 2. In summary, there is an overall improvement in the case despite higher initial costs with revenue savings building up to £3.4m by the final year of the contract with project payback within five years. There will be an accumulated net benefit to the Council over the contract period of £5.2m.
- 2.2 Timetable – The project is presently on target for ‘go-live’ in April 2004. Both suppliers and officers agreed to proceed with implementation at a series of meetings held on 9th March 2004. Assessment of progress, outstanding issues and the outputs of various Quality Assurance exercises led to a unanimous view that the implementation should proceed to the final phase before ‘go-live’ namely where the transfer of real data into the system can begin.
- 2.3 The next key date is 8th April when the decision must be taken whether or not to operate using the data in the system. This judgement depends upon the success of transfer of data into the system and the level of reconciliation and quality issues arising therefrom.
- 2.4 Contingency plans have been prepared should elements of the system be unable to go-live including the continued operation of existing payroll systems and data.

3. Technical and Implementation Issues

- 3.1 This is a major systems implementation and it is anticipated that some disruption to other systems may occur in the early phases. This relates partly to running the system over the network as well as the new system itself. The network has been assessed as being capable of accommodating the SAP system. However it is probable that some problems will occur. Similarly, the peak of implementation activity means that may other system projects will be on hold or deferred for a period.

4. Next Steps

- 4.1 Assuming successful implementation then the ‘de-bugging’ period is likely to last until June 2004. Thereafter the question remains as to how the new system will be deployed to exploit its considerable potential in the context of Business Process Redesign and efficiencies.

5. Access to Service Implications

Indirect benefit to all services through speedier availability of more accurate data.

Expected Key Benefits of the SHARP Project

The SHARP project is due to deliver the following:-

Improved Procurement Process

Provides an on-line process internally to allow goods receipt and invoice payments to be processed swiftly using electronic approval and immediate budget checks.

Effective Reporting

Allows users to access complete, accurate, reliable timely financial and management information via user-friendly screens and tailored 'point and click' local reporting facilities.

Enables drilldown to source data.

Provides key financial and qualitative statistics with exception reporting.

HCC e-Government Requirement

Enables remote access in line with HCC's Workwise and Lifewise initiatives for mobile and homeworking.

Makes available on-line processes externally to exploit the opportunities and benefits of E-commerce and 'self service'.

Improves HCC's ability to interact with the public using electronic ordering, tracking and prompt delivery in this key performance area.

Generally improves service between the Council and the public and business.

Commitment Accounting

Implements Commitment Accounting, allowing direct monitoring of budget commitments so that budgetary control can be developed fully by all services.

Efficient Working Practices

Eliminates duplication of data input, storage and output.

Sets best practice process for data retrieval and management information through on-line user guides.

Helps HCC improve in key performance areas.

Economical Process

Promotes the use of workflow and electronic document storage to enable efficient, effective and economical use of Council's resources and reduces paper.

Flexible Structures

Has a flexible and comprehensive coding facility and a linked structure with the ability to reflect present and future structures of income, expenditure and resource.

Simulation Modelling

Ledger and budgeting system supporting all services with "what if" modelling and with facilities for the development of longer term financial planning e.g. 3 year budgeting.

SHARP –CAPITAL BID UPDATE DECEMBER 2003

BACKGROUND TO THE CAPITAL BID FOR SHARP

In October 2002 – the SHARP capital bid was updated to reflect the estimates received from contractors of the costs for the finance and procurement system. At that stage the timing of the implementation of the HR/Payroll elements was not finalised, and so a system specification had not been produced, and contractors had yet to submit costs. The target date for go-live remained April 2004 because of legacy systems becoming unsupported in that timeframe.

In February 2003 an updated business case was presented to the Member Reference Group, indicating revenue savings building up to £2.9m per annum by the final year of the contract, project payback in just over 5 years, and an accumulated net benefit to the council over the contract period of £3.4m.

This latest update to the business case and reflects the contracted costs for Finance / Procurement and for HR / Payroll (contracts signed June 2003) and refinements to the case now that we have completed three quarters of the 12 month implementation phase of the project. (Commenced in April 2003) with a pilot – “go-live April 04).

In summary, the December 2003 revisions to the business case model, lead to an overall improvement in the case, with revenue savings building up to £3.4m by the final year of the contract, and project payback well within 5 years, and an accumulated net benefit to the council over the contract period of £5.2m. These figures take into account the additional set up costs now required. The additional capital requirement is explained in the following paragraphs.

A summary of the updated financial model is shown at the end of this paper

ADDITIONAL SET UP COSTS

A number of issues have arisen since October 2002 bid, which have led to the need for an increased budget for the SHARP project of £1 million. The areas are.

PROGRAMME ACCELERATION- Additional resources

The approved capital budget is £2.043M and relates to HCC project staff requiring a “backfill”. This budget was constructed with the aid of consultants, Cap Gemini in Oct 2001. They recommended that 23 HCC resources be employed as a project team to deliver the project over 18 months to 24 months. Their advice was to construct two functional streams, one for Finance including Procurement and one for Human Resources / Payroll, with a single technical stream.

The Finance system was to be implemented first with HR/Payroll following on some 6 to 12 months later. However Cap Gemini had foreseen the project start as April 2002 for go live in April 2004. The project did not start until April 2003.

The “go-live” date is driven by the legacy systems becoming unsupported and costly from April 2004 forward. Thus, we have had to go forward on a 12 month implementation cycle to meet the date.

LogicaCMG, our implementation partners, as part of their successful bid (Feb 2003) advised the creation of a Procurement stream within the HCC project team and further change management resource to meet the contract implementation period of 12 months. Initially these changes result initially in higher set up costs of both people and property, but ultimately, do enable project benefits to be delivered from the project sooner than previously expected.

HR /Payroll move to April “blg bang”

For the reasons given in the programme acceleration and following a review, the decision was made to re-schedule the contracted programme, and move from a two phase implementation of payroll, to a single phase implementation. This decision to go ‘big-bang’ in April has resource costs.

ORACLE CSFA

The finance and procurement specification envisaged that the Oracle CSFA client system would be fully in place by Sharp “go-Live”. However as this will not now be the case, a number of new interfaces are needed in the interim. This includes links to the SSIS, FILIS and SEN systems. These links will not be feature rich.

The delays in the ORACLE CSFA project has lead to the need to commission ITnet to convert the home help and foster parents systems from the existing operating system (VM/VSE) as it becomes unsupported to MVS an operating system that is supported as an interim measure.

When the Oracle System is available a link will need to be built to SAP.

Other Areas not requiring capital funding

INFRASTRUCTURE

To enable all schools to use SAP securely, a more expensive solution is required to link them to Logica’s computing centre in Bridgend. Initially only some schools will be using SAP functionality but this solution allows us to roll out to all schools in the future. This will be funded by the infrastructure budget.

SHARP BUSINESS CASE
FINANCIAL SUMMARY AS AT NOVEMBER
2003

£'000s

Item	YR 0 2003-04	YR 1 2004-05	YR 2 2005-06	YR 3 2006-07	YR 4 2007-08	YR 5 2008-09	YR 6 2009-10	YR 7 2010-11	TOTAL
Set up costs (amortised figure)	2,043	2,777	1,777	1,778	1,777	1,778	922	923	13,775
Running costs		4,870	4,724	4,780	4,917	5,059	4,913	4,997	34,260
Less Savings		-464	-1,490	-2,561	-2,863	-2,975	-2,987	-3,000	-16,340
Total Cost of SHARP	2,043	7,183	5,011	3,997	3,831	3,862	2,848	2,920	31,695
Less costs of previous system		-5,316	-5,470	-5,629	-5,792	-5,960	-6,133	-6,311	-40,611
Annual Costs/ Savings)	2,043	1,867	-459	-1,632	-1,961	-2,098	-3,285	-3,391	-8,916
Net Present Value	2,043	1,745	-401	-1,332	-1,496	-1,496	-2,189	-2,112	-5,238
Cumulative NPV	2,043	3,788	3,387	2,055	559	-937	-3,126	-5,238	
Compared to February 2003									
Cumulative NPV (February 2003)	2,043	3,063	3,119	2,308	1,328	342	-1,591	-3,397	
New case better by/ - worse by	0	725	268	-253	-770	-1,279	-1,535	-1,841	

Notes for Project SHARP cost model

1. Costs assume a “Big-Bang” go live in April 04 for all system areas.
2. Costs exclude contract management costs for the existing and future arrangements.
3. The Savings (presented to members Feb 2003) have been extended by 2 years to match the MS contract and the financing. MS contract runs to 2010/2011.
4. All savings depend on HCC achieving various things –principally better purchasing, quicker payments, less administration and electronic rather than paper input to the systems.
5. Capital costs are after contributions from CI for infrastructure set up and from Departments for Training and for providing a future CSFA link.
6. Inflation throughout is assumed at 2.9 per annum