

# PROGRAMME ATHENA



## **‘State of Readiness’ Guide for Local Authorities**

June 2013

### **Supporting Document 12 (of 14) – NEP (North East Patches) Presentation**



# Delivering Business Solutions in a Shared Systems Environment

Bob Telford



## **NORTH EAST PATCHES (NEP)**

**A project initiated by the then  
Northern and Yorkshire  
Regional Office of the English  
NHS**



# NORTH EAST PATCHES

**A Project designed to get NHS organisations working together through a common Finance and Procurement solution.....**

## ***CURRENTLY***

**A Single instance of the Oracle Ili Finance and Procurement solution**

**Shared across 61 NHS organisations**

**Managed by a central team of around 35 staff**

**supporting > 2250 core Finance and Supplies Users**

# **NORTH EAST PATCHES – The Beginning**

**2001/2**

**Northern & Yorkshire Regional Office**

**Developing a strategy to help NHS  
organisations deliver a coherent  
collaborative approach to meeting their  
“Financial / Procurement Systems”  
needs and support the modernisation  
agenda**



# **NORTH EAST PATCHES – The Beginning**

**2001/2**

**Northern & Yorkshire Regional Office**

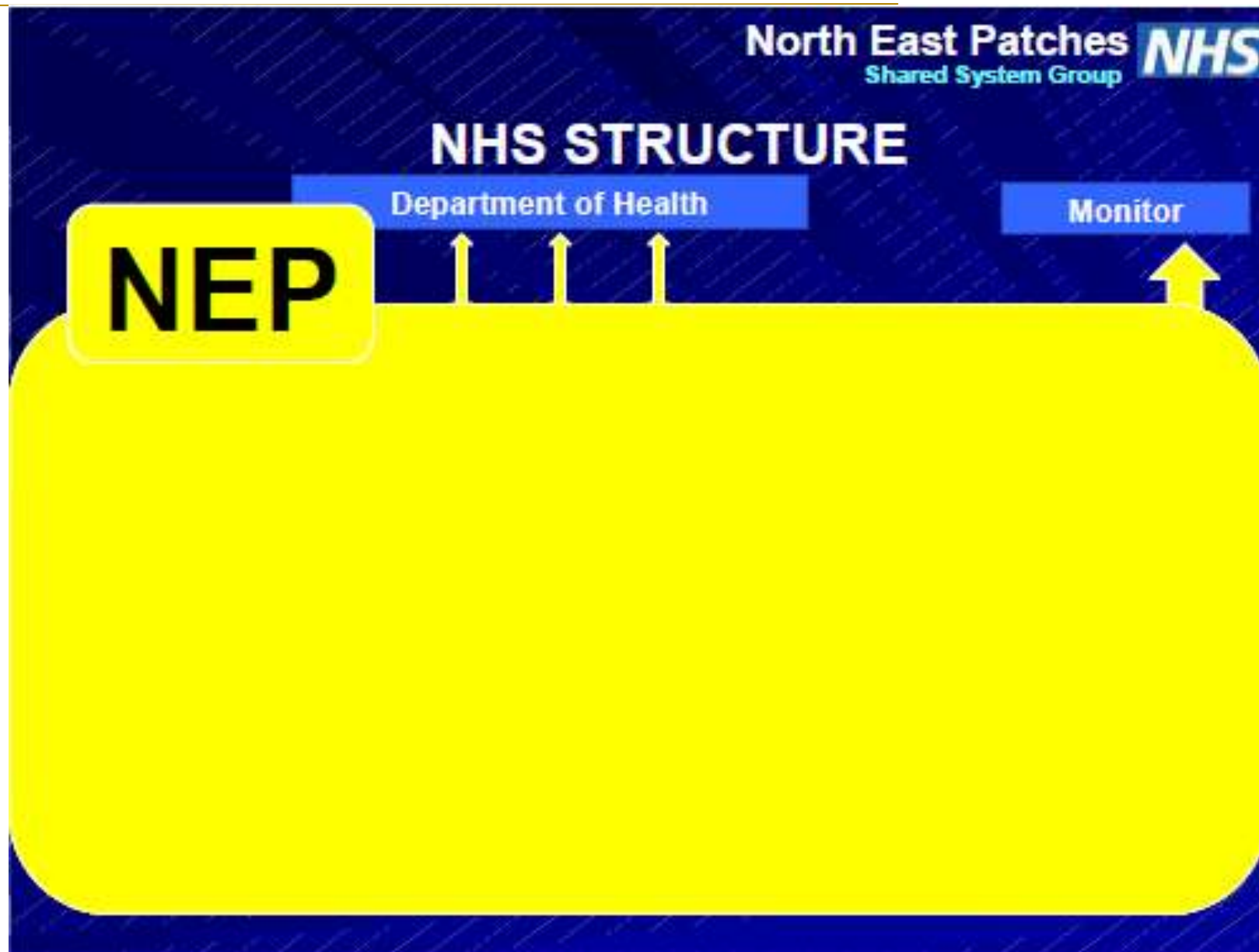
**NO MANDATE!**

**Original coverage was 50 organisations**

**We went live with 49 organisations**

**1 organisation “did their own thing”**

**We had to sell the proposition.**

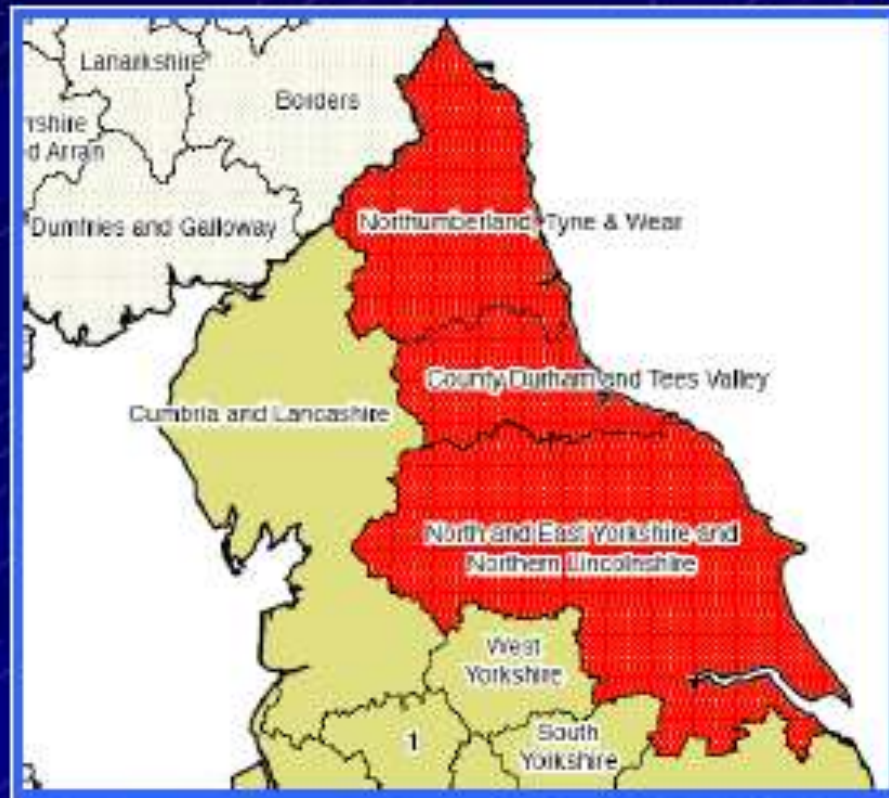


# A Single Solution for all NHS organisation Type

**NEP**



# The Original Consortium



**Three Patches  
based on  
Strategic Health  
Authority  
Boundaries  
covering 49 orgs  
and 1175 core  
users**

# Specification

**The Northern & Yorkshire Regional Office required a Strategy to...**

- **Support the modernisation agenda**
- **Facilitate the move to the Business Partner Role for Finance Professionals**
- **Improve Information for decision making**
- **Facilitate the aggregation of data across Trusts**
- **Support the frequent organisational structural changes**



# Specification

The solution also needed to be capable of

- Providing a suitable **PREMIUM** replacement for ageing systems
- Providing an appropriate environment for maintenance and development

**We decided to use a shared and collaborative approach to reduce RISK and COST in delivering a recognised leading edge solution**

**The Solutions was also required to deliver .....**

## ...KEY ADDED VALUE BENEFITS

1. Process elimination through technology

– by leveraging technology to free up TP resource by eliminating process

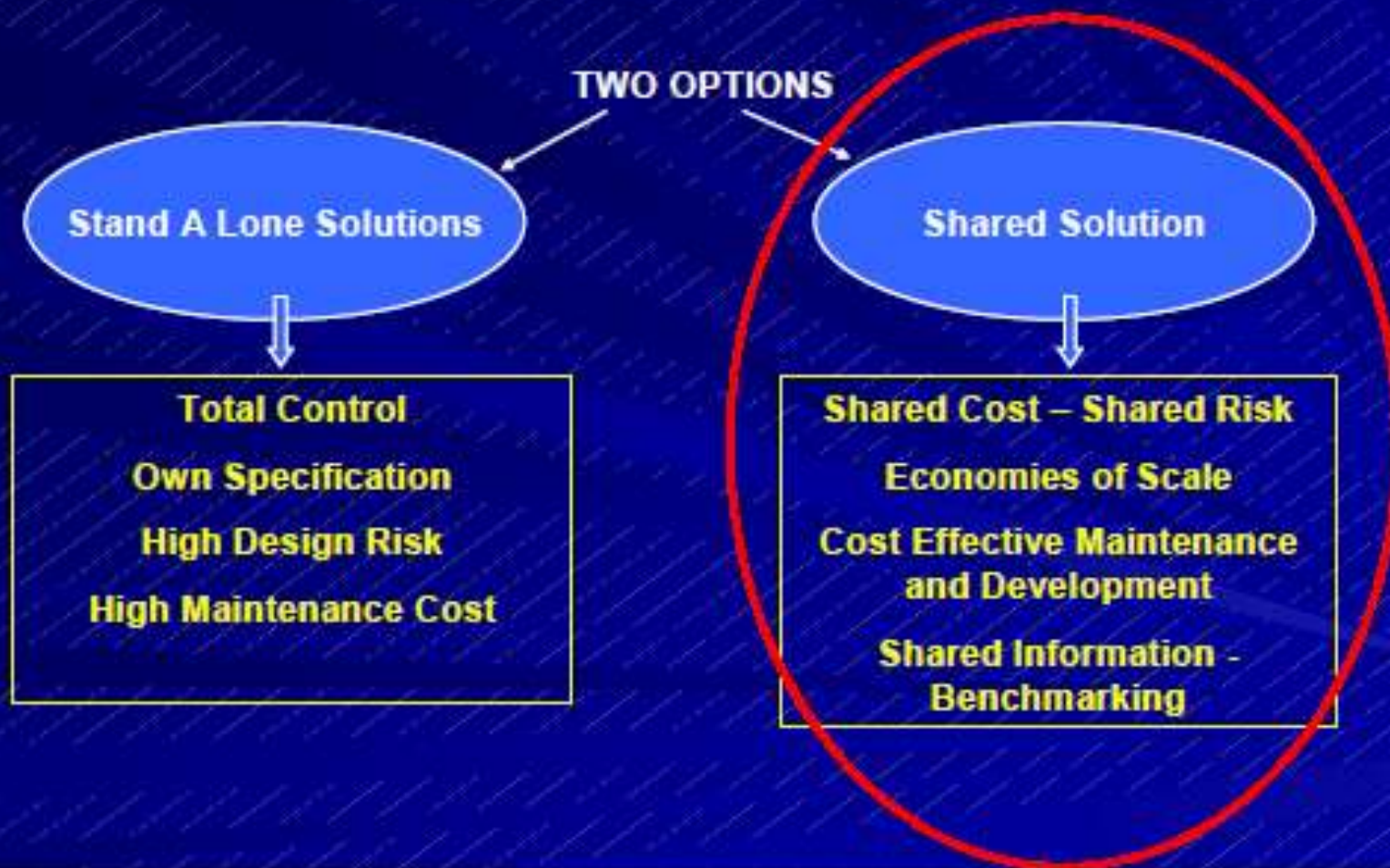
*By using technology to deliver TP savings we facilitate...*

2. Increased efficiency in core clinical services

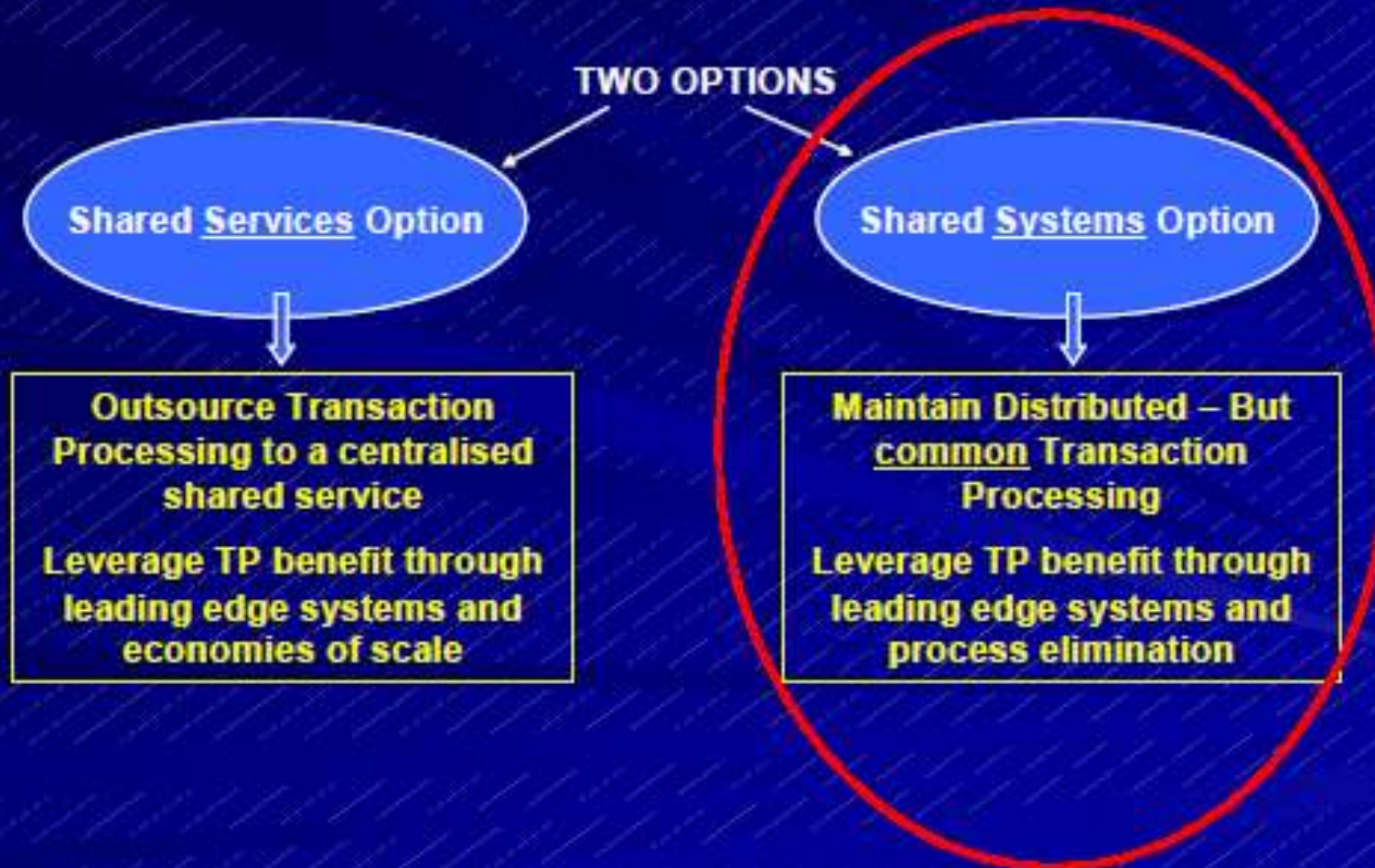
- by leveraging the same technology to support collaborative purchasing of products and services (ie Procurement Savings)



# NORTH EAST PATCHES

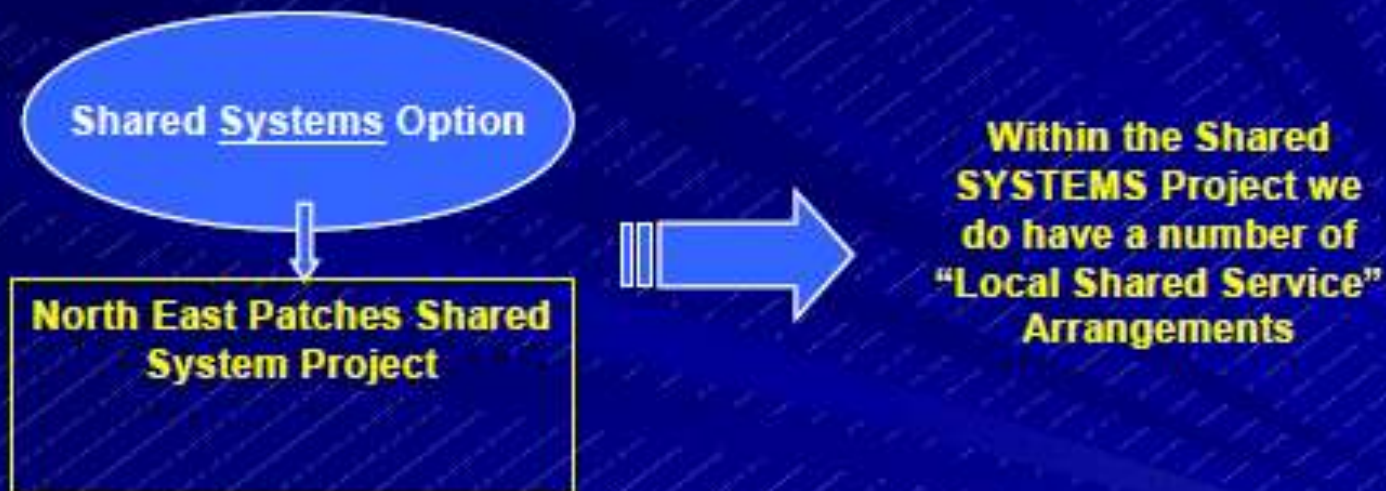


# NORTH EAST PATCHES





# NORTH EAST PATCHES



# NORTH EAST PATCHES

## *Why a Shared System rather than Shared Services?*

- **FD's reluctant to give up control of Financial Services**
- **North East Patches had NO recruitment and retention issues**
- **Financial Services staff were/are relatively low cost.....**
- **More financial benefit in collaborative purchasing.....which requires**
  - **different type of TP .....**
  - **ie Catalogue management –approval hierarchy management**
- **Shared Systems allows Fin Serv. Staff to move to new roles as TP is automated**
- **TP gains through technology remain with Org not the SS Centre**
- **Substantially reduced initial costs ie redundancy etc**
- **Substantially reduced risks**
- **Shared System Model easier to grow to new NHS Orgs therefore increasing benefits**
- **Shared ownership and governance of the Shared System Model**



# NORTH EAST PATCHES

## *What's the down side of a shared system?*

- **It is not possible to enforce business process change as you can in a shared service centre**
- **There is a requirement to persuade organisations about best practice**
- **Ultimately, we provide a managed technical solution - its organisations own choice whether they take advantage of the added value opportunities**

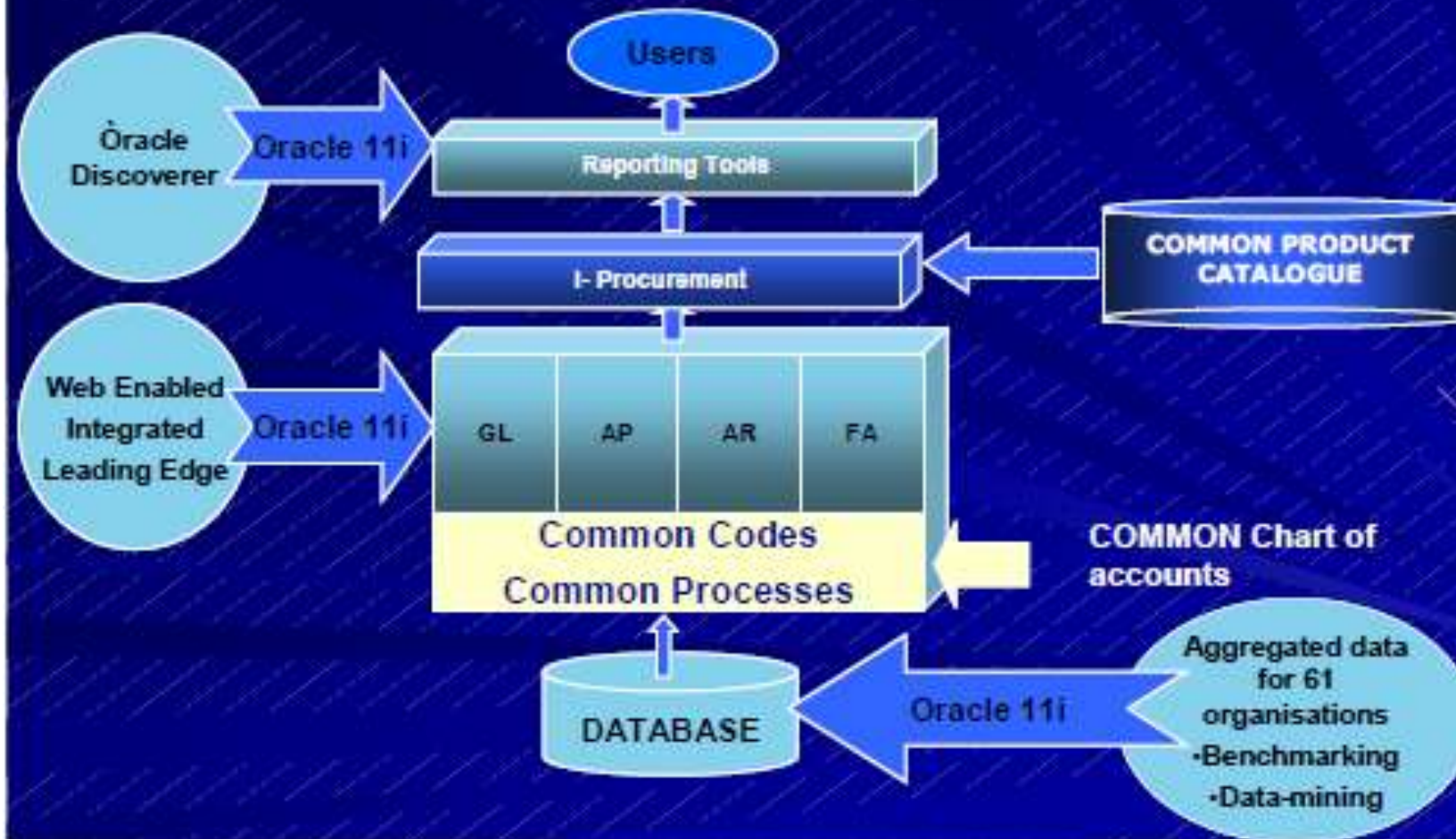
# NORTH EAST PATCHES

A SINGLE SOLUTION FOR 61 NHS ORGANISATIONS !





# NORTH EAST PATCHES



**Well we eventually brought our “herd” in and they are all still with us 7 years on.... and signed up for a further 10 years.**

**Main proposition for FD's.....**

- Added value opportunities
- Leading system at substantially reduced cost
- Economies of scale
- Professional and auditable operating environment
  - From FM (IT Managed Services Provider) provider
  - From professional NHS Central Team
- Stakeholder involvement through Boards
- Detailed and Comprehensive “User Acceptance Program”
- Robust , ongoing governance arrangements



# System Build & Design



**49 NHS ORGANISATION – 1175 CORE END USERS**  
**TOOK 2 YEARS TO DELIVER**  
**DELIVERED WITHIN BUDGET AT A TOTAL COST OF**  
**£2.5M**

# System Build & Design



**DESIGN AND BUILD  
STAGE**



# System Build & Design

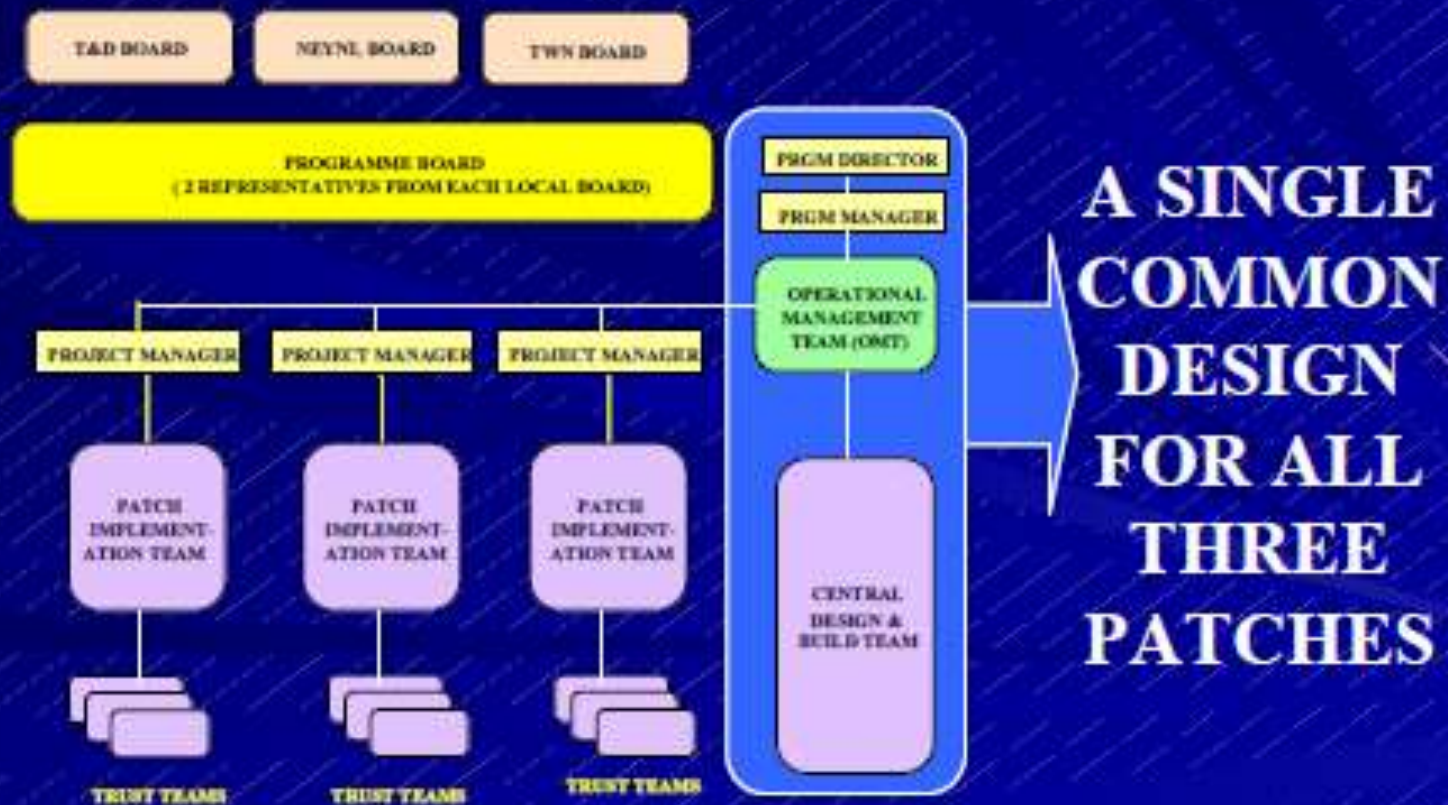
**AFTER 6 MONTHS!**



Each Patch made substantial progress...

**But ...we had  
three separate  
solutions!**

# System Build & Design





# System Build & Design



## **USER ACCEPTANCE**

- **10 separate days of system review – 3 groups**
  - **1 - 4 days of demonstrations and initial issues logs**
  - **2 – 3 days re demos with fixes**
  - **3 – 3 days re-demos with fixes**
- **Formalised and agreed objectives – WE WILL SIGN OFF**
  - **What need to be done to be acceptable**
  - **NOT .....why it was not acceptable**
- **Appropriate functional splits**
- **Formalised Issue log**
- **Daily summary of outstanding issues**
- **Patch sign-off**
- **Agreed Issue resolutions**
- **Business like environment**
- **Social arrangements**



# System Build & Design



## **IMPLEMENTATION**

- **Standard approach to implementation**
- **Orgs implemented in 3 waves of around 16 orgs**
- **Each org required to field a local implementation team**
- **Each org required to sign off key stages of implementation**
  - **Standard Set up documentation**
  - **Interfaces**
  - **Printers**
  - **Training**
  - **Go Live Decision**
- **All orgs went live**
- **Some delay on Wave Starts...but**
- **Each wave delivered within agreed timeline**



# GOVERNANCE ARRANGEMENTS

*The governance framework*

# Governance





# Delivering added Value

# Specification

## ...KEY ADDED VALUE BENEFITS

1. Process elimination through technology

– by leveraging technology to free up TP resource by eliminating process

*By using technology to deliver TP savings we facilitate...*

2. Increased efficiency in core clinical services

- by leveraging the same technology to support collaborative purchasing of products and services (ie Procurement Savings)



# Key Lesson Learnt

For both strategies –

- Process Elimination
- Procurement Benefit

**Its not enough to have a technology solution**  
**QUALITY CATALOGUES ARE ESSENTIAL!**

# Performance Management

## *What's the down side of a shared system?*

- **It is not possible to enforce business process change as you can in a shared service centre**
- **There is a requirement to persuade organisations about best practice**
- **Ultimately, we provide a managed technical solution - its organisations own choice whether they take advantage of the added value opportunities**



# Opportunity Review

A structured continuous improvement process for  
Service Users:

- What parts of the NEP system are they using;
- Indicate how well they are being used;
  - relative to peers and world class companies
- Propose options to improve performance;
  - prioritised
  - with indications of cost & benefits
- Ultimately record any actions agreed via Discovery

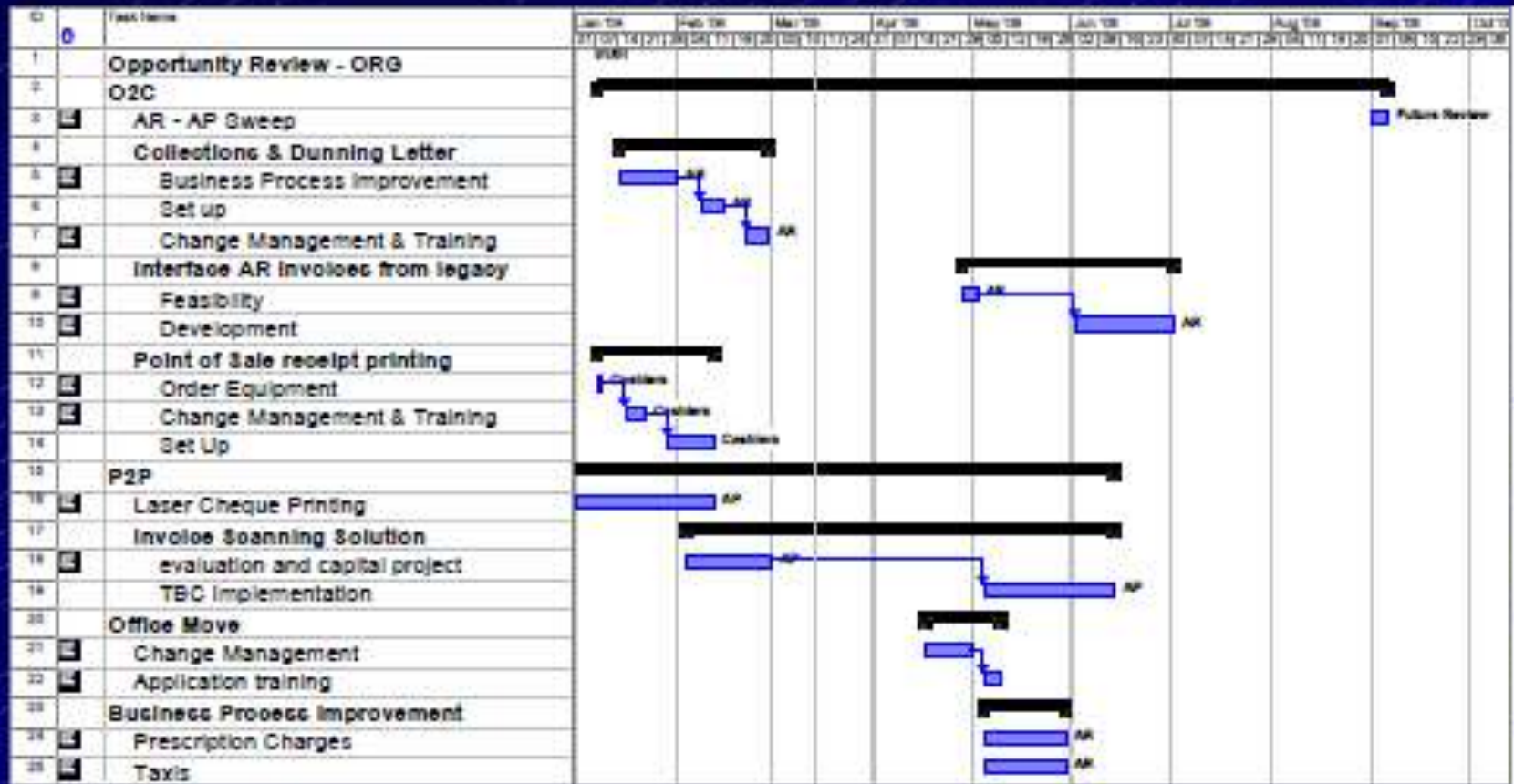


## Collect & Measure

[illegible]



# Analyse & Agree Actions



**Opportunity Reviews are optional and organisations are not required to take part.... But by ensuring an organisation extracts value from their system opportunities, the full benefits of a leading edge ERP solution are realised**

**“Consolidating financial management and purchasing on Oracle enables the North East Patches consortium to meet government targets for a modernized, accessible, customer-focused service that targets its resources towards patient care.”**

***Jim Mackey,  
Chief Executive,  
Northumbria Healthcare NHS Foundation Trust***



## NORTH EAST PATCHES



**-Originally 49 NHS Organisations, in three SHA areas ("Patches") in the North East of England**

**-Group expanded by accession of Organisations from North West – now 61 Organisations**

**-Map doesn't show increase in consortium well.....Better measure is that No. of end users has increased from 1175 to 2250 – (91.5% growth)**

**-Fully supports all types of NHS Organisation**

**-Capable of further expansion and currently talking to a number of organisations**

# PROGRAMME ATHENA



## **‘State of Readiness’ Guide for Local Authorities**

June 2013

### **Supporting Document 13 (of 14) – GO Partnership Business Case (Part 1 of 2)**





## DOCUMENT COVER SHEET

**Programme** : GO Shared Services Programme  
**Title** : **Business Case**  
**Programme Manager** : Robert Wood  
**Status** : Approved  
**Filename** : GO Business Case (6-00).doc  
**Programme Stage** : Implementation (Update to Business Case)  
**Issue Number** : 6.00  
**Date** : 16 June 2011  
**Originator** : Jenny Poole

### Approval

Name	Role	Signature
Pat Pratley	Senior Responsible Owner	
Jenny Poole	Programme Board	
Paul Jones	Programme Board	
Paul Stuart	Programme Board	
Su Walker	Programme Board	
Sara Mullen	Programme Board	
Karen Gane	Programme Board	
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Robert Wood	Programme Manager	

## Document Control Sheet

### Document Location

s:\corporate\go erp shared services\business case\go business case\version 6.0\go business case (6-00).doc

### Changes History

Release	Date	Description
0-01	28-Sep-2009	Initial draft for review and comment
0-02	29-Sep-2009	Additional sections completed and comments incorporated
0-03	30-Sep-2009	Final sections completed and comments incorporated
0-04	02-Oct-2009	Incorporate review comments from Project Board
1-00	05-Oct-2009	Approved by Project Board
1-01	13-Aug-2010	Updated to reflect changes to partner councils
1-02	16-Aug-2010	Incorporate review comments
1-03	20-Aug-2010	Correction of typographical errors and third party costs
1-04	20-Aug-2010	Amendments to gross and net programme savings
2-00	24-Aug-2010	Approved by Programme Board
3-00	26-Aug-2010	Correction of implementation dates
3-01	12-May-2011	Base document for v4 revision
3-02	25-May-2011	Incorporate comments from Programme Board
3-03	1-Jun-2011	Incorporate comments from Programme Board
4-00	1-Jun-2011	Approved by Programme Board
4-01	15-Jun-2011	Revision to Governance Models
5-00	15-Jun-2011	Approved by Programme Board
5-01	16-Jun-2011	Revision to Governance Models
6-00	16-Jun-2011	Approved by Programme Board

### Distribution List

Name	Role
Pat Pratley	Senior Responsible Owner
Paul Jones	Programme Board (Cheltenham Borough Council)
Jenny Poole	Programme Board (Cotswold District Council)
Su Walker	Programme Board (Forest of Dean District Council)
Paul Stuart	Programme Board (West Oxfordshire District Council)
Karen Gane	Programme Board (Forest of Dean District Council)
Amanda Attfield	Programme Board (Cheltenham Borough Council)



Project : GO Shared Services Programme  
Title : Business Case  
Revision No. : 6.00 Approved

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Sara Mullen	Programme Board (Cotswold District Council and West Oxfordshire District Council)
Mike Brown	Programme Board (ICT sub-group)
Shirin Wotherspoon	Programme Board (Legal sub-group)
Angela Cox	Programme Board (Procurement sub-group)
Robert Milford	Programme Board (Internal Audit / Programme Assurance)
Robert Wood	Programme Manager
Mark Sheldon	Chief Finance Officer Cheltenham Borough Council
Kate Walton	Cheltenham Borough Homes Ltd
Nicola Templeman	Cheltenham Borough Homes Ltd

### Changes Planned

Changes in next issue will incorporate comments from review of this issue.

### References

GO Shared Services Programme Business Case (v3.00), dated 26 August 2011

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## 1. Strategic fit

### Business need

- 1.1. All Councils nationally have faced and continue to face relentless budget pressures. The impact on the Government spending plans over the coming years as a result of the worst economic global crisis in many decades will have a significant impact on Local Government finances for many years to come.
- 1.2. The 2006 Government White Paper "*Strong and Prosperous Communities*" which set out a new relationship for local government to work together to improve public services has now been enacted by the *Local Government and Public Involvement in Health Act 2007*. The government also stated that it would be looking for councils within two-tier areas, such as Gloucestershire, to operate at a financial level equivalent to that of unitary authorities.
- 1.3. The government stressed the importance of implementing effective working arrangements to deliver increased efficiencies and improved outcomes, and set as one of the goals for continuing two-tier areas "*to achieve shared back office functions and integrated service delivery mechanisms*".
- 1.4. The Government responded to the 2008-2010 recession with an unprecedented reduction in public sector funding. The Queen's speech of 25 May 2010, stated that the Government will implement '*A significantly accelerated reduction in the structural deficit over the course of a parliament, with the main burden of deficit reduction borne by reduced spending rather than increased taxes*'.
- 1.5. With the stated commitments to ring-fence health and education, town hall spending will bear the larger proportion of cuts. Indeed, the financial settlements for 2011/12 and 2012/13 have been announced and councils are facing cuts of up to 16.2% in 2011/12 and a further 14.2% in 2012/13.
- 1.6. The challenge facing all Councils is how to continue to provide good quality services to customers with ever decreasing resources. In this respect, it is well acknowledged that back office efficiencies can significantly reduce operational costs for frontline services.
- 1.7. The Chartered Institute of Public Finance and Accountancy (CIPFA) paper 'sharing the gain – collaborating for cost-effectiveness' sets out the major challenges in protecting frontline services while also dealing with budget reductions and spending restraint. Shared services and collaborative working provide many important opportunities. By introducing new business structures, improving processes and deploying new technologies and management systems, such approaches have a major role to play in improving cost-effectiveness and service quality.

### GO Programme

- 1.8. The work of the GO Programme is critical because of the potential to benefit from cost savings through working together – benefiting from economies of scale that one council could not achieve alone. GO has the potential to provide better value for money for local council tax payers. Version 3.00 of the Business Case referred to four partner councils (Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council) working together. This Business Case has been updated to include the delivery of transactional services to Cheltenham Borough Homes Ltd (CBH Ltd) and move to full Shared Services for the four GO partner councils.
- 1.9. The concept of sharing services is not new to Local Government. There are many examples around the country of Councils working together to provide more efficient services. Recently the Lincolnshire Shared Services Partnership (LSSP) announced

the launch of new shared services including Procurement Lincolnshire, Legal Services Lincolnshire, ICT projects and customer service training. In June 2010, Havant Borough Council and East Hampshire District Council agreed a business case that outlined proposals for shared management arrangements across both councils. It is proposed that the management of functions (which include Finance, HR and procurement) will be fully implemented by October 2011. Once the shared management structures are in place, the new management teams will undertake service reviews in order to identify the most appropriate service design and mode of delivery. Further examples are provided later in Section 3 - Achievability.

- 1.10. Sharing of resources, particularly amongst support services will produce efficiencies and whilst more and more projects are coming together, successful partnership working has proved to be challenging.
- 1.11. The potential benefits identified for sharing services include:
  - (a) achieve cost savings
  - (b) deliver more efficient and resilient services
  - (c) provide improved, user-friendly IT systems

### Strategic Drivers

- 1.12. The main strategic drivers for the GO Programme are summarised in the table below:

Name	Effect
Government White Paper <i>Strong and Prosperous Communities</i>	Sharper focus required from all services in the delivery of cost efficiencies, whilst maintaining service needs and standards required by customers. The increased need to move resources away from management and support into front line service delivery.
Changing role of Local Government (LGPIH Act 2007)	Moving from service provision to one of service facilitation and monitoring. Becoming more of a broker for community governance, and the provision of purely 'core' services.
Transformational and E-Gov agenda(s)	Requiring services to re-appraise the electronic systems and resources used in service delivery and how these can be further leveraged for customer and cost advantage. The more for less scenario, using ICT as the integrating capability. Allowing greater flexibility in work-life issues, home working whilst maintaining data security.

**Table 1-1: Summary of drivers for change**

- 1.13. The shared local drivers are:
  - (a) Efficiency and revenue savings
  - (b) Sharing scarce resources (people and money)
  - (c) Improved resilience
  - (d) Systems need improvement or upgrade
  - (e) Improved end user experience (i.e. for all managers and staff)
  - (f) Avoiding duplication of effort



## Strategic Outcomes

- 1.14. The strategic outcomes are:
- (a) Cost savings
  - (b) Efficient and resilient service
  - (c) Improved, user-friendly systems
- 1.15. The vision has 4 levels as illustrated in the diagram below.
- (a) **Level 1** refers to partners coming together to purchase an ERP system and so benefit from economies of scale.
  - (b) **Level 2** refers to the sharing of the system i.e. one GO partner council hosting the hardware and software, having one database and one Chart of Accounts. This will allow for more streamlined system administration and standardisation of reporting and auditing.
  - (c) **Level 3** refers to the sharing of data processing capabilities such as paying invoices, collecting debts, processing payroll and shared HR and purchasing. For example, this might mean one GO partner council paying all the invoices instead of having a payments team at each of the 4 GO partner councils. (CBH Ltd will be provided with services at this level only)
  - (d) **Level 4** this refers to the sharing of all accountancy and HR services including advice.

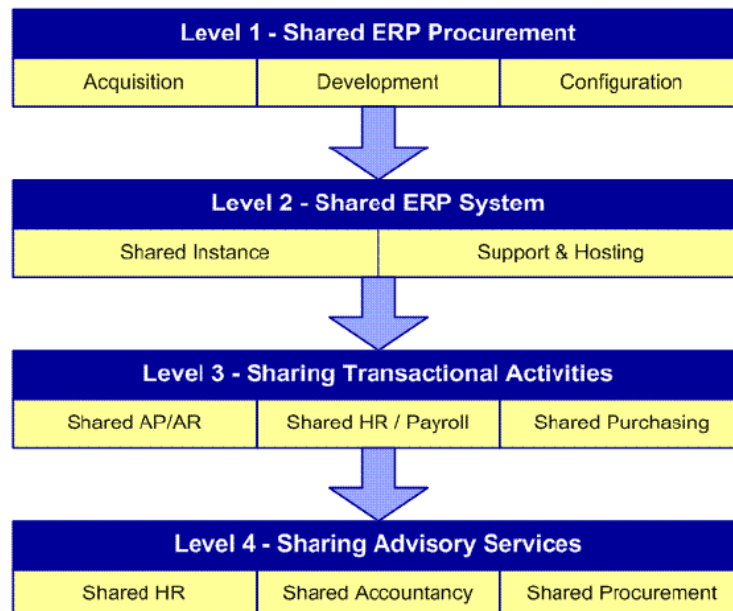


Figure 1-1: Level of Shared Services

- 1.16. In conclusion, the ambition for the partnership is to share all transactional and advisory functions (Level 4). However, each GO partner Council will retain its own Section 151 officer (Local Government Act 1972).
- 1.17. The shared service will be provided by:

- (a) A shared service providing HR, Payroll, Finance and Procurement transactional and advisory services, supported by
- (b) A centre of excellence which is providing the ICT support and hosting functions, based at Cheltenham Borough Council

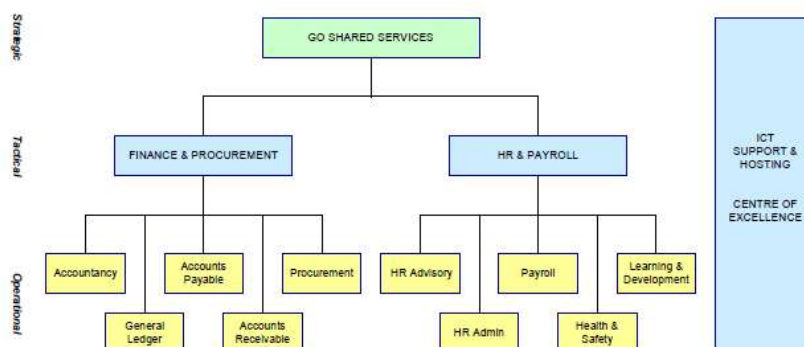


Figure 1-2: GO Shared Services

- 1.18. The transactional and professional & advisory services are detailed in Annex A: Services in Scope for Shared Service. The same annex also details the responsibilities which will be fulfilled locally at each GO organisation (not in scope for shared service).
- 1.19. Cheltenham Borough Homes Ltd have a separately scoped version of the Finance and Procurement, Human Resources and Payroll services listed in Annex A, to reflect that they will be using transactional (administrative) services only, and not professional/advisory services. Transactional services delivered to Cheltenham Borough Homes Ltd will be included in the contractual arrangements with the GO Shared Service.

### Contribution to key objectives

- 1.20. The key objectives for the GO Programme are as follows:
  - (a) **Cashable savings** – All GO organisations have within their strategic aims and ambitions, the need to find solutions to budgetary pressures
  - (b) **Staff retention and opportunities** – It is essential to retain good staff in local government to meet the challenges currently being faced by councils
  - (c) **Service efficiencies** – All councils undertake similar work, thus creating duplication of effort and resources. Joint training, single sourcing and standardised documentation also provide opportunities for service efficiencies
  - (d) **Service resilience** – All councils lack capacity and resilience to respond to peaks in demand or absence of staff. The lack of capacity also leads to buying in external expertise which can be expensive
  - (e) **Enhanced reputation** – At a strategic level, the implementation of a shared ERP application and service across Gloucestershire and West Oxfordshire may provide a catalyst for future shared services. If the approach can deliver successful outcomes then it may well serve as a proof of concept that other potential shared services could adopt



## Stakeholders

- 1.21. Work has been undertaken to establish the identity and basis of each stakeholder interest in the shared services. These stakeholders are key to the success of the Programme. Without continued consultation and their support the Programme will not succeed.

Name	Effect
Elected Members	Have the authority to approve, reject or modify the shared services proposal.  Elected members from all of the GO partner councils will have a leading and supporting role in the Programme and will be asked to approve the recommendations for the shared services. They will be required to contribute to the governance arrangements that will need to be in place to report on the potential impact on staff.
Chief Executives, Board of Directors (in particular CBH Ltd) and senior management	Will need to continue to promote the vision of the GO Programme and its implementation within their organisation. Will need to continue to make resources available to form the Programme team and backfill positions where necessary.  Will be keen to obtain cost efficiencies and improved service resilience and service innovation.
Employees (in scope of Programme)	Will form the new shared services. Must be satisfied that their hopes, fears and ideas are being listened to and acted upon. Opportunity for wider skill use and development.
Employees; ALMO <sup>1</sup> / agencies (service users)	The departments, and third parties, within the GO partner councils that use the finance, HR and procurement services. They will need to be satisfied that the new shared service is effective and affordable. They will also be concerned about any adverse effects to service during the transition period.  Will also be keen to understand changes to them, for example the use of self-service tools and record keeping.
Unions	Concerned for the welfare of staff throughout the transition to the new service.
Press / Media	Due to the scope and scale of this Programme there is expected to be strong interest from the trade press.  Local media will be interested to report an initiative that delivers better value for money for council taxpayers across Gloucestershire and West Oxfordshire. The press will also be keen to report on the potential impact on staff resulting from this Programme.

<sup>1</sup> ALMO – Arms Length Management Organisation

Name	Effect
Joint Waste Company – Directors, Employees	<p>Should Cheltenham Borough Council and Cotswold District Council decide to establish a joint waste company; the assumption is GO Shared Services will provide services to the company. Officers that will have responsibilities within the waste company will need to become engaged in the build and testing of the ERP system and the establishment of the shared service.</p> <p>Directors and employees will need to be assured that the new shared service will be able to adequately support the new company, this is especially critical as the company is planned to be established at the same time as the ERP system is being implemented and the shared service is being created.</p>
Suppliers	<p>Relationships will need to be maintained with suppliers of existing business applications for availability of historic data, or for the development of interfaces with the ERP system.</p> <p>Any changes made to the way suppliers are paid must be to the benefit of this stakeholder group (e.g. electronic invoicing may be good for larger companies but must ensure the smaller businesses are not excluded).</p>
Public	<p>Will be interested in cutting down bureaucracy and keeping Council Tax as low as possible through cashable savings and efficiencies.</p> <p>Again, need to ensure payments made to the public, whilst made efficiently do not exclude any particular groups of people.</p>

**Table 1-2: Stakeholder Analysis**

### **Scope: minimum, desirable, and optional**

- 1.22. The initial focus of the GO Programme was around a financial management system. This included general ledger; accounts payable; accounts receivable; bank reconciliation; purchase order processing and asset accounting.
- 1.23. The scope now also includes integrated HR, payroll and procurement systems, shared systems administration and for the system to be hosted at Cheltenham Borough Council.
- 1.24. Included within the first phase of the Programme are:
  - (a) The joint procurement of an ERP system (completed);
  - (b) The installation and build of a single ERP system which is shared by all GO organisations (in progress);
  - (c) The sharing of transactional and advisory services across all partner Councils;
  - (d) The provision of transactional services with Cheltenham Borough Homes Ltd;
  - (e) If it is decided that a joint waste company is to be created, the GO Programme will provide transactional and advisory services to the new company.



### Constraints

- 1.25. The business case for the GO Programme contains a limited budget for contingencies. The partner Councils are all running change programmes in response to the level of cuts in central government funding. These change programmes require support from the same Officers that are also involved in the implementation of the GO ERP system and development of the shared service.
- 1.26. Some of the programmes running at the partner councils are introducing new constraints on the GO programme, for example, the potential establishment of a Joint Waste Company, means that the GO Programme will be required to develop a client within the ERP system for the joint waste company along the same timelines as the development of the clients for Cheltenham Borough Council, Cheltenham Borough Homes Ltd and Cotswold District Council.

### Strategic benefits

- 1.27. Benefits can be identified from two different aspects of this Programme:
  - (a) The implementation of an integrated system
  - (b) Sharing services across the partnership
- 1.28. Implementation of an Enterprise Resource Planning (ERP) system will:
  - (a) Improve decision making by giving online access to up to date data.
  - (b) Save time by supporting e-enabled processes for day to day tasks such as ordering goods, claiming expenses and requesting annual leave.
  - (c) Allow the council to respond quickly to changes by bringing together all the data concerning human resources, finance and assets and supporting improved modelling and forecasting.
  - (d) Through co-ordinated procurement ensure the right goods and services are provided at the best possible cost. It will also play a role in stimulating and maintaining local economies.
  - (e) Allow managers to control and take direct ownership of their service costs removing the reliance on centralised corporate control.
- 1.29. Sharing services will:
  - (a) Produce cashable savings from shared implementation and ICT support & hosting costs, shared transactional processing costs and shared costs of advisory services. These savings could be used to protect frontline services.
  - (b) Improve capacity by bringing together staff resources from all the GO partner councils.
  - (c) Deliver increased resilience by standardising processes across all organisations and creating skilled teams which can support all of the shared service clients.
  - (d) Provide the opportunity for further partnership working supported by the shared data stored on the system, for example identifying shared procurement opportunities; streamlining policies and procedures which will generate further efficiency gains.
- 1.30. Benefits will be gained from:  
**Shared ERP system:**
  - (a) Implementing integrated modules rather than a number of separate systems
  - (b) Installing a single, rather than multiple, ICT solutions
  - (c) Simplify the number of interfaces required, thereby potentially reducing costs
  - (d) Using a single set of resources to administer systems

- (e) New systems are more flexible to:
  - (i) Configure initially, and
  - (ii) To amend in line with both legislative changes, and
  - (iii) Organisational development (the cost of change)
- (f) Overall administration can benefit from economies of scale

**Shared Finance:**

- (a) Centralising and standardising Accounts Receivable (AR) and Accounts Payable (AP) and payroll transaction processing to reduce administration costs
- (b) Financial management can be decentralised and delegated to service managers

**Shared Human Resources:**

- (a) Human Resource (HR) management and record keeping can be delegated to individuals themselves
- (b) Efficiencies can be improved by moving progressively to a self-service regime for budget management, procurement management, HR and payroll.

**Shared Procurement:**

- (a) Sharing procurement information to improve procurement strategies and enable further efficiency savings to be delivered
- (b) Aggregating spend to achieve better prices
- (c) Rationalising suppliers to reduce the cost of procurement administration
- (d) Standardising specifications to help simplify purchasing aggregation
- (e) Reducing/eliminating rogue purchasing to help purchasing aggregation

**Shared Advisory Services:**

- (a) Improved and more effective management support and advice.

**Strategic risks**

- 1.31. The key strategic risks associated with this Programme can be grouped into three areas:
  - (a) Risks associated with the partnership
  - (b) Risks associated with the critical nature of an ERP system
  - (c) Risks associated with the level of change required by the Programme
- 1.32. Risks associated with the partnership arise principally from the fact that the Programme benefits are derived from aggregations of scale; any failure or reduction of the partnership would result in the benefits being reduced or, in the worst case, being lost. While all GO organisations are fully committed at the start of the Programme, the main benefits, particularly the cashable savings, will require some time before they materialise. The savings are planned to be delivered from October 2012. Keeping the partnership together over a number of years will require significant commitment at a senior level in each partner council. Failure to keep the partnership together will at best result in reduced benefits and at worst create an atmosphere which will make it difficult for the councils to work together in other areas.
- 1.33. Risks associated with the critical nature of an ERP system arise from the importance of finance and HR services to the councils. Any failure of the systems managing these resources, or of the processes associated with them, could have severe consequences for the councils concerned which will result at least in loss of money and effectiveness, or in the worst case loss of reputation and legal action.



- 1.34. Risks associated with the level of change required by the programme arise if the councils cannot realise the benefits identified above because stakeholders are unwilling or unable to change the way in which they work. Implementation of the ERP system will require nearly every member of staff to change the way they work, and will also affect suppliers and debtors.
- 1.35. The GO Programme Board operates an adopted Risk Management Strategy. The Programme Board monitor all risks on a fortnightly basis. Any risks with a mitigated score of 8 or above (red) will also be transferred to the Corporate Risk Registers of GO partner councils or shared service clients as applicable.

#### **Critical success factors**

- 1.36. The factors critical to the success of this programme are:
  - (a) The commitment of all GO partner councils to the programme
  - (b) The successful implementation of the ERP system to support the efficiency gains envisaged in this business case
  - (c) The successful realisation of the benefits of shared working to a level envisaged in the vision of the programme.

(b) and (c) are both sensitive to benefits being eroded because new ways of working are not embraced.

#### **Options Appraisal**

- 1.37. Version 3.0 of the Business Case set out details of the options appraisal carried out for the GO Programme.

#### **Opportunities for innovation and/or collaboration with others**

- 1.38. The scale and size of the GO programme is already an innovative solution for collaborative working and shared services.
- 1.39. The GO programme has already provided the opportunity for Cheltenham Borough Homes Ltd to join as a client of the shared service. In addition, work is progressing on the opportunity to provide services to the possible new joint waste company which may be established in April 2012 by Cotswold District Council and Cheltenham Borough Council.
- 1.40. The governance arrangements set out in Annex B – Governance Models, provide for GO partner councils to delegate responsibilities (under s101 of the Local Government Act 1972) to lead authorities for the shared service and Support and Hosting Centre of Excellence. The lead authority for the shared service will undertake the responsibility for an initial two year period. During 2013, the governance arrangements will be reviewed in line with the vision for the shared service.

#### **Service delivery options – who will deliver the programme?**

- 1.41. During the implementation phase, the GO partner councils and Cheltenham Borough Homes Ltd will be incurring significant financial liabilities and contributing significant officer time. However the contractual relationships are clear and until the system is operational risk is limited to loss of finance.
- 1.42. Once the ERP system has been implemented and is operational it will become a critical part of each GO organisation's working and therefore each GO organisation will need to ensure it is managed and monitored carefully and it is robust and resilient. A shared system also requires the GO organisations to align their working

practices and agree on a number of issues from business processes; through to changes and developments on the system; and the governance structure will need to be flexible enough to support swift decision making on priorities in circumstances where there are urgent issues to be resolved.



## 2. Financial assessment

- 2.1. The following summarises the **overall** financial business case for the implementation of a shared ERP system and the creation of a shared service for the partnership.

### Set up / Implementation principles

- 2.2. The partnership has agreed that the implementation of an ERP system needs to maximise the operational and financial benefits from sharing. Whilst transactions and ledgers for individual organisations will need to be maintained, the ability to look across the database for all organisations must be allowed for in the building of the system. This will facilitate the creation of an individual entity's set of financial ledgers for accounting purposes (budgeting and Statement of Accounts) and for reporting across all GO organisations (e.g. reporting total spend on supplies or by supplier) which could lead to a more collaborative approach to procurement of supplies and services across one or more GO organisations and further collaborative procurement savings. This approach to the implementation of an ERP system has been agreed between the Councils and Cheltenham Borough Homes Ltd. and is the most economic option for all involved since it avoids the cost of the replication of the system build process in 5 entities.
- 2.3. The maximisation of the savings derives from sharing all transactional and advisory functions (refer to Figure 1-1: Level of Shared Services). In order to achieve this, it is critical that a standard approach to processing is agreed amongst all GO organisations. As such, a common coding structure (allowing for local needs), standard chart of accounts, and procurement are critical to ensuring that the reporting and analysis opportunities are maximised. The ambition is to enable each GO organisation to produce its own management accounts using standard reports but also to automate the production of the Statement of Accounts, VAT returns, Government statistical returns, etc.
- 2.4. The business case financial projections over a 10 year period (typical life expectancy of an ERP system) are at Annex C – GO Programme Costs and Savings to this report.
- 2.5. In developing the business case, the partner Councils have agreed the principles of sharing both costs and the savings generated from an ERP system which form the basis of the business plan financial projections. The allocation of implementation cost is based upon the assumption that all GO organisations jointly procure a single system and share the costs and savings.
- 2.6. The charging principles, for the ongoing shared services, have been established as:
- The GO Shared Services will recharge all costs to the initial GO organisations on a cost recovery basis.
  - In the interim period, up to 31st March 2014, costs will be recharged in proportion to the original baseline staffing position. This will ensure an equitable level of savings for all GO partner councils in line with the original Business Case. The long-term aspiration will be that transactional services will be recovered on a unit cost per transaction basis by April 2014 and other posts will be shared on an agreed equitable basis.
  - For the period 1st April 2012 to 30th September 2012, while the Shared Service is being established, costs will be recharged to the pre-transfer GO partner council. Where staff will have transferred (TUPE'd) to the lead / employing authority but will still be providing a service to their pre-transfer GO partner council, all employee and related costs will be recharged to the employee's former employing council on a full cost recovery basis.

- Each GO partner council will provide a baseline staffing position for each Shared Service area (Accounts Payable, Accounts Receivable, Payroll, Accountancy, HR transactional and HR advisory). This will reflect the full establishment of each service by person, post, grade and budget. The Baseline costs will be measured against the service costs once the Shared Service has been fully implemented, the difference being the savings to accrue to each respective GO partner council
  - Any additional savings arising from any future restructurings will be shared in proportion to the original baseline staffing position. Any new income generated by the Shared Services will be shared equally by the GO partner councils.
- 2.7. There will be a formal review of all charging mechanisms and allocation basis to take into consideration all processes to provide specific services. Any changes would aim to be implemented for the start of April 2014. It is intended that data for such charging can be generated from within the new ERP system and will not create a complex administrative burden. However, the principle for charging is that it should be transparent and relative to individual partner usage.

### **Implementation costs**

- 2.8. The cost of implementing a shared ERP system, based on an approach which realises the above aspiration for sharing of system and services includes the following components:
- (a) One off hardware and licence costs as per version 3.0 of the GO Business Case.
  - (b) Implementation team: In order to realise the benefits and maximise savings from sharing, all councils will work collectively on building the system. A core, multi specialist, implementation team has been created, drawing individuals from the 4 councils, which will implement the system in all GO organisations ensuring that the consistency in approach is maintained. The principle of gifting implementation team resource to the project was agreed in order to keep the project costs to an affordable level.
  - (c) The aim of the programme is the implementation of a shared ERP system, the creation of the ICT Support & Hosting Centre of Excellence and the establishment of a shared service providing Finance, Procurement, HR and Payroll functions. The establishment of the ICT Support & Hosting Centre of Excellence has required some initial set up costs which have been shared equally amongst all GO partner councils.
  - (d) The creation of the shared service should ultimately reduce the number of posts required to provide the functions in the GO partner councils. The future service delivery model has been considered and an estimate made on the likely impact on posts and a provisional sum has been allowed for to finance any 'one off' staffing costs.
  - (e) The change to include all professional and advisory services has increased the overall level of savings available, £112,000 of this has been set aside in 2012/13 to increase the provision for one-off costs. No one partner council will be disproportionately disadvantaged as a result of the cost of redundancy due to local arrangements. These costs have been netted off against savings generated in the earlier years of the programme in the financial projections but the phasing and amounts may change.
  - (f) A provisional sum has been assumed for the writing of interfaces with residual systems into an ERP system (e.g. bank files or retained systems). However, the intention is to minimise the number required since this removes the need



for systems support and reconciliation work. This should ultimately lead to less ICT support, although this has yet to be quantified.

### Savings

- 2.9. The collective procurement of an ERP system is the most cost effective way of acquiring an ERP system. The cost for each GO organisation individually procuring its own acquisition of an ERP system would be more expensive and would not enable the partnership to access the operational efficiency saving which the business case identifies.
- 2.10. The financial modelling is based on a conservative assessment of savings over a 10 year period which can be used as indicative figures for forward planning in the individual councils Medium Term Financial Strategies.
- 2.11. The business case for GO (included at Annex C – GO Programme Costs and Savings) indicates that the overall investment required for the programme is £1,418,647. This is projected to generate annual savings of £52,046 in 2012/13 rising to annual saving of £672,752 by 2013/14 across all 4 partner councils. **Overall**, the gross programme savings are estimated to be £5.2m with savings, net of the investment, of £3.8m across all 4 partner councils over a 10 year period. This compares to the original Business Case that provided for gross programme savings estimated to be £3.4m with savings, net of the investment, of £2.0m. For each council, the savings delivered will vary depending on the current cost of annual licences, ERP modules being used and associated projects which are enabled as a result of the potential sharing of an ERP system.
- 2.12. Given the complexity of the programme, the timing of savings may vary from the projections above.
- 2.13. Savings will arise from 2 areas. The first being the anticipated saving in licence costs resulting from the replacement of many individual interfaced systems in individual councils (e.g. Finance, Accounts Receivable, Payroll and HR with one integrated package for all partner councils). The other area is staffing within the scope of the GO Shared Services.
- 2.14. There are likely to be further savings across the organisation resulting from introducing new processes and procedures which are typically available in an ERP system (e.g. electronic ordering and payment for goods and services). These are likely to have a significant impact across all 4 partner councils. The final business case assumes that each council will save one administrative post beyond those identified in the shared service as a result of streamlined processes. In reality, it is anticipated that these savings may be greater.
- 2.15. The implementation and sharing of an ERP system is likely to lead to a closer collaboration between the GO organisations which may ultimately drive out more savings beyond the existing parameters of the programme (e.g. combined banking contracts, insurance tenders, reduction in need for individual duplication of core Financial and Human Resources, systems audit work etc).
- 2.16. The financial projections do not currently assume any savings in residual ICT departments as a result of no longer having to manage several independent systems or the hosting and management of a single ERP system moving to a single council. Each GO partner council will manage the access to the shared ERP system for individual users up to the respective fire walls but that system management (e.g. upgrades and data base management) and administration (authorisation levels, access to ledgers etc.) will be managed in the Support and Hosting Centre of Excellence. The business case assumes additional staff and on-going revenue cost in the Support and Hosting Centre of Excellence to manage the systems on behalf of

all GO organisations but there is no assumption of savings elsewhere to offset these costs.

### **Investment Payback Period**

- 2.17. The financial projections are based on these costs and savings and project cumulative savings over a 10 year period of £5.2m and indicate an overall project payback of circa 4 years. The payback period is considerably earlier than would normally be expected from the implementation of an ERP system (typically 10 years) as a result of the sharing of costs amongst the GO partner councils. The individual GO partner council payback period is likely to vary depending upon the starting position (i.e. the cost of annual licences and the age and quality of the existing Financial Management Systems and payroll systems).

### **Funding**

- 2.18. The Funding for the GO Programme has already been agreed by the GO partner councils. At this point in time, costs are within the approved budget.



### 3. Achievability

#### Evidence of similar projects, where available

- 3.1. Private Sector companies have been sharing services for a number of years and have delivered significant benefits in terms of cost savings and efficient processes. Development of shared services in the public sector is more recent but the following examples show where the projects will (and have) achieved excellent results.
- (a) Nottingham and Leicestershire County Councils - The councils will generate estimated savings of £2 million a year sharing HR, payroll and finance services
  - (b) Bromsgrove and Redditch Councils - sharing management services and a chief executive has saved the councils an estimated £500,000 over the last 18 months
  - (c) East Kent District Councils – four councils have set up a joint management business to oversee the delivery of some back-office services and waste management. It aims to deliver 10 per cent savings on current costs.
  - (d) Huntingdonshire and Cambridgeshire District Councils - Since 2005 the councils have shared a call centre saving £71,000 a year.
  - (e) North and North East Lincolnshire – The councils have jointly saved more than £1.4 million since 2006 by joining forces to procure items like telecommunications, heavy vehicles, wheelie bins and furniture.
  - (f) South Hams and West Devon District Councils – sharing management teams and a chief executive has saved the councils £350,000 since the measures were introduced in 2009.
  - (g) Cambridgeshire County Council and Northamptonshire County Councils are merging various functions including IT and Human Resources and will be saving £1.3 million annually with a further £1 million predicted.

#### Programme plan

- 3.2. The table below details the key dates for the programme since the original business case was agreed:

Date	Activity
August 2010	Business Case approved by Programme Board
Sep 2010 – Oct 2010	Programme approved by GO partner councils
November 2010	Start of implementation
Nov 2010 – Aug 2011	Establish Support & Hosting Centre of Excellence
Nov 2010 – Oct 2011	Installation, implementation and configuration of ERP application
November 2011	First GO organisations “live” on ERP application
Nov 2011 – Apr 2012	Rollout to other GO organisations (see Table 3-2: Intended “Go-live” dates for each GO below)
April 2012	Start of GO Shared Services and staff TUPE to lead authority
Apr 2012 – Oct 2012	Establish shared service

Table 3-1: Implementation Plan – Key dates

(CONTINUED)