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# **Report to Cabinet Member for Support Services and Economic Development**

**August 2022**

## **SMARTCORE programme completion and funding**

### **Report by the Director of Finance and Support Services and the Director of Human Resources and Organisational Development**

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#### **Summary**

This report provides an update on the project for the replacement of the Council's Business Management Solution and identifies the required resources to complete the project. It sets out the remaining milestones to completion and seeks approval for the resource requirements to complete the project in April 2023.

An appendix is attached to provide additional background information to provide context and a reference document for scrutiny of the project's delivery.

#### **Recommendation**

- (1) That the Cabinet Member approves the resource requirements for the completion of the Smartcore project and confirms the delegation to the Directors of Human Resources and Organisational Development and of Finance and Support Services to finalise the required contracts to complete the programme.

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#### **Proposal**

##### **1 Background and context**

- 1.1 Cabinet Member decision ECR01 19-20 approved the commencement of a procurement process for the replacement of the Council's business management system and the Oracle Fusion system was chosen to replace the existing SAP system which has reached the end of its useful life.
- 1.2 The original completion or 'go-live' date for the programme was March 2021. The programme has however undergone a number of adjustments, resource re-allocation and re-programming due to a number of factors which are covered in the appendix to this report. The planned go-live date is now April 2023.
- 1.3 The development of the programme and the actions taken to manage it and plan the contractual requirements and address the budget implications were covered in Decision OKD1222-23 taken in July 2022. That report provided the background to the programme since the initiation of the project and the additional measures that were needed to manage it as the scope of the task and the measures required for delivery became more fully understood.

- 1.4 Many of the additional costs have arisen due to the extension of the timeline of the project and the implications for the resources required, both internal and external. These were partly driven by the impact of the pandemic but also on reviews of the input required as the project teams developed a greater understanding of the scope and effort of the project based on a more thorough understanding of the Council's systems. In summary the programme timeline and associated costs were affected by the following factors:
- The extension of the project team for another year on the programme including the Senior Responsible Owner, Programme Manager, Project Managers, Oracle specialists, and IT specialists.
  - The inclusion of resources originally proposed to be delivered internally: Change Lead and managers, Business Analysts, Test Manager and Test Analysts as well as report writing, business change, testing and training.
  - The additional and extended backfilling of staff seconded to work on the Smartcore projects.
  - Recruitment of additional specialists to supplement areas where sufficient business as usual staff aren't available, i.e., Payroll Testing.
- 1.5 The original plan was to deliver training internally. However, competing programmes and a lack of available resources within Learning & Development means this function will need to be procured. A 'soft market testing' exercise was undertaken to determine cost estimates.
- 1.6 Originally the reporting requirements were intended to be met largely by council staff, however specialist skills are required to help develop the reporting requirements in the required programme timelines while in house skill are learnt to support Oracle on an on-going basis.
- 1.7 An improved understanding of the technical deliverables of the programme leading to additional costs for data integration. Also, since the contract has been let the system integration requirements have been reviewed to reflect new systems adopted by the council in the intervening period.
- 1.8 The original scope was for elements of the change management function to be delivered internally but the depth and breadth of experience required could not be secured when the programme needed the support and, as business change is key to developing and delivering the future operating model of the functions and delivering the efficiency savings specialist resources were recruited to deliver the change programme.
- 1.9 Testing is a vital part of the programme, and it was originally planned that this could be completed internally. However competing council priorities meant these resources were not available in all areas of the business. Payroll testing is extraordinarily complex and requires complete accuracy to meet sign-off. Sufficient resources are not currently available within the established staffing, in addition, specific test management skills and resources are required to undertake the myriad of additional testing (SIT, UAT, Reconciliation and Payroll) within the programme.

## **2 Proposal - Resources to complete the project**

- 2.1 Full programme reviews were undertaken to examine the programme timeline and resource requirements. This led to the decision taken in July 2022 to confirm the contract variation with our delivery partner enabling the go-live date as April 2023.
- 2.2 The Council has now completed its review of the resources it requires to achieve the successful completion of the programme within this timeline and the cost implications of the review are set out in section 5.
- 2.3 The Council has procured DXC as its delivery partner. As explained in the July 2022 decision report the contractual arrangements have undergone significant review and reassessment as the complex elements of the project and the impact of the external factors, changing support elements and resources available have been considered.
- 2.4 The Governance of the programme will remain unchanged. The directors of HR and Organisational Design and of Finance and Support Services remain the responsible officers and will take the necessary decisions to allocate the resources available to complete the programme as now planned.

## **3 Other options considered (and reasons for not proposing)**

- 3.1 The other option is to not continue with the implementation and develop plans for an alternate ERP solution to mitigate the risk of SAP being at the end of its useful life and the associated contract termination costs. The Council will also not benefit from the potential changes to the systems. Such an option is likely to be more costly and also likely to have a significant adverse impact on the Council's systems and operational capabilities.

## **4 Consultation, engagement and advice**

- 4.1 The programme continues to draw on expertise within the Council, partners and 3<sup>rd</sup> party suppliers including:
  - Socitim Advisory provides programme management of SMARTCORE including specialist technical consultants.
  - The SRO, Programme Manager and wider project team engage with colleagues from other councils to learn from their experiences of success and failures.

Engagement takes place across the Council to raise awareness of the changes that will occur including.

- Business Readiness Group comprising senior management meeting monthly.
- Change Management team working closer with the Directorates to consult on business process and change and per a training needs analysis.
- Workshops and 'drop-in' sessions arranged covering the subjects of Finance, HR and Procurement.
- Regular communication updates via bulletins and intranet

## 5 Finance

- 5.1 The table below sets out the current costs of completing the programme which is £14.0M addressing the additional requirements set out in section 2 above and providing programme resources to deliver against a revised 'go-live' date of 3rd April and this includes the costs covered in Decision OKD1222-23 (the July decision).
- 5.2 The initial budget to implement the system was £7m and approved in 2019/20. This included costs for.
- Programme Resource - £1.9M
  - Licencing & Support - £1.7M
  - Implementation Costs £2.15M
  - Contingency - £1.25M
- 5.3 A further £7.07m is required to complete the project. These costs can broadly be divided into the following classifications:
- Delays in the go-live date - £4.20M
  - Additional scope of works - £1.25M
  - The requirement to procure work originally planned to be completed by council staff – £1.84M
  - Reduction in Licencing – (£0.22M)
- 5.4 The project originally was proposed to be funded from the Service Transformation Reserve, however, the Council utilised capital receipts in 2021/22 as set out in the Capital Receipts Flexibility Policy in the Budget Report in 2021/22. It is proposed that the forecast expenditure in 2022/23 and 2023/24 is now funded from the use of flexible capital receipts in the first instance and from the Service Transformation Reserve if there are insufficient capital receipts to fund the total amount or if some of the proposed expenditure does not meet the criteria.

	<b>2019/20 Budget</b>	<b>2020/21 Actual</b>	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>Total Project</b>	<b>Variation</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Programme Delivery	<b>800</b>	<b>247</b>	<b>532</b>	<b>537</b>	<b>137</b>	<b>1453</b>	<b>653</b>
Programme Resource	<b>1,100</b>	<b>438</b>	<b>531</b>	<b>2064</b>	<b>420</b>	<b>3453</b>	<b>2353</b>
Licencing and Support	<b>1,700</b>	<b>519</b>	<b>961</b>			<b>1480</b>	<b>-220</b>
Implementation Costs	<b>2,150</b>	<b>817</b>	<b>628</b>	<b>3155</b>		<b>4600</b>	<b>2450</b>
Reporting	<b>0</b>			<b>440</b>		<b>440</b>	<b>440</b>
Testing and Cutover	<b>0</b>			<b>1394</b>		<b>1394</b>	<b>1394</b>
Contingency	<b>1,250</b>			<b>750</b>	<b>500</b>	<b>1250</b>	<b>0</b>
Total Expenditure	<b>7,000</b>	<b>2021</b>	<b>2652</b>	<b>8340</b>	<b>1057</b>	<b>14070</b>	<b>7070</b>
<b>Funding</b>							
Transformation Reserve		<b>2,021</b>				<b>2,021</b>	
Flexible use of Capital Receipts			<b>2,652</b>	<b>8,340</b>	<b>1,057</b>	<b>12,049</b>	
Total Funding	<b>7,000</b>	<b>2,021</b>	<b>2,652</b>	<b>8,340</b>	<b>1,057</b>	<b>14,070</b>	

- 5.5 Programme Delivery – Variance £653K. This is the cost for external support from Socitim to deliver the programme. The delays in the programme utilised the majority of the original budget allocation therefore an additional £653K is required to complete the programme.
- 5.6 Programme Resource – Variance £2.353m. This is a consolidated cost for programme and backfill resources and is spread across multiple financial periods. The subsequent delays prior to the programme reset in November 2021 have meant that an additional £2.353m is required to complete the programme. While some resources are only joining the project when specific skills are required, other resources have been working for the longer duration of the project including technical skills, Oracle subject matter experts and business analysts. Of the £2.353m approximately, one third (£700k) is for additional specialist resources and the remaining costs are due to the increased timelines of the project (£1.653m).

- 5.7 Licencing & Support – Variance -£220K. This has seen a reduction in costs due to changes in the SAP environment costs for the period.
- 5.8 Implementation Costs - Variance - £2.450M. £1.9m of the costs result from delays in the programme. The additional costs reflect costs added to the programme including systems integration and extension of Hypercare. The cost increase for this element has been set out in the July Decision paper OKD1222-23.
- 5.9 Reporting – Variance - £440K. The report writing resource was expected to be drawn from internal resources, however due to insufficient availability of skills and capacity internally the recruitment of specialists was required, additionally the scope and volume of the reports required by the business has increased requiring further development work from DXC.
- 5.10 Testing & Cutover – Variance - £1.394M. It was originally expected that the resource requirement for this could be met through internal resources, however it became clear specialist resources were required increasing the costs of the project as they have been sourced externally. The cost for this activity is solely within the 2022/23 financial period.
- 5.11 The period of consultation and reset during 2020/2021 is shown in column 2 with a combined cost to WSCC of £2.652M, during this time resources were engaged on keeping the programme active.
- 5.12 Expenditure relating to schools has not been reflected in the £14m costs included within this report as they will be funded by schools.
- 5.13 The effect of the proposal:

- (a) **How the cost represents good value** - the services have been and will continue to be procured competitively in the external marketplace and any additional procurement will be designed and implemented to achieve best value. Where costs have increased these are in accordance with the agreed rate card and charges as set out in the contract. The activities and the approach to be undertaken have been challenged and assured via technical scrutiny of the Business Design Authority and thereafter, agreed at the Smartcore Programme Board.

Market appraisal and close working with other similar sized authorities have indicated that whilst budget costs differ from one authority to another due to slight variances in requirements and complexity, the figures detailed in the bullet points below are representative of our peers.

- **Surrey CC** – Budget £22.4M, a delay of 4 months in go-live date (Nov '21 - Apr '22) was estimated to cost an additional £3.9M
- **Norfolk CC** – Budget £18M - the programme overran, the additional cost is unavailable.
- **East Sussex CC** – Budget £13.1M - This programme is due to go live in April 2023.

- (b) **Future savings/efficiencies being delivered** – the successful implementation of the Smartcore programme will deliver efficiencies through automation, self-service, improved business processes and a

reduction in per annum licence costs (£400k). The associated savings will be identified via definition of the new target operating model as the project progresses and included as part of the budget process. Failure to allocate the additional resources and to ensure the solution is achieved will prevent these outcomes.

## 6 Risk implications and mitigations

- 6.1 The following table documents the main risks that are attributed to the programme. Risks and issues are managed by the programme PMO and are escalated to the Programme Board, as necessary.

<b>Risk</b>	<b>Mitigating Action (in place or planned)</b>
Poor Data migration /quality results in additional time and cost. Poor payroll data will result in payroll errors.	Risk held by DXC. WSCC transferred the scope of the Extract and Transform stages of Data Migration to a contracted service with DXC. Ensure that sufficient validation checks are in place to uphold data quality.
Business Resources not consistent or of sufficient quantity - need for additional external support	Ensure that the plan remains up to date and internal resources are allocated, where positions cannot be filled ensure that adequate planning allows time for recruitment or procurement of specialist resources.
The Integration / Interface complexity / Management of 3rd Parties - extended testing and resolution	Robust plan in place of implementation of the interfaces and integrations. Close working arrangement with DXC and 3 <sup>rd</sup> party vendors.
Delay to the timescales for project release may result in a change in delivery and costs.	Plan agreed with SI (Systems Integrator) and Data Migration partner with one Go-Live date. Relevant stakeholders consulted to ensure risks raised are managed throughout the implementation timeline.
The complexity of Council environment results in the need for additional change and adoption support.	Business Change team ensures stakeholders briefed on programme objectives, scope, and timelines. Business Readiness Group ensures consultation with the Directorates is maintained, and changes and adoption agreed.
Cross dependencies with other programmes may result in unplanned costs, resource conflict and/or increased timelines.	The programme is working with other major Programmes within the Council, dependencies will be managed by the Programme PMO and tracked within the Programme RAID log.

## **7 Policy alignment and compliance**

- 7.1 Our Council Plan – The delivery of the SmartCore programme supports the delivery of the Our Council Plan, specifically making best use of resources.

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### **Appendix: Overview and Project Development**

**Background papers: None**