

AGENDA ITEM: 6 Page nos. 1-10

Meeting	Audit Committee
Date	10 October 2005
Subject	Modernising Core Systems (MCS) Project – Post-Go Live Update
Report of	Director of Resources
Summary	This report provides an update on the Modernising Core Systems Project.
Officer Contributors	Mark Webber, Modernising Core Systems Project Manager
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix 1: Key systems outcomes Appendix 2: Competency Centre Statistics Appendix 3: Attendance at Training Appendix 4: MCS Phase 2 outline
For decision by	The Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

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1. RECOMMENDATIONS

- 1.1 That the Committee note the progress of the Modernising Core Systems Project, in particular how the system is meeting and will continue to meet its objectives efficiently, effectively and economically.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee, 31 August 2005 – the external auditors' report on MCS was noted and discussed, with particular regard to the importance of maintaining the impetus of the project as a means of achieving cultural change.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Modernising Core Systems Programme is fundamental to the delivery of the corporate priorities in delivering 'a better council for a better Barnet' through investment in modern systems, as set out in the Corporate Plan.
- 3.2 The programme also supports the delivery of the key objectives set out in the Resources and Borough Treasurer Performance Management Plans.

4. RISK MANAGEMENT ISSUES

- 4.1 Risk management, the process for identifying risks in relation to MCS Project, allocating ownership of agreed risks and monitoring how they are being addressed in line with their likelihood and impact, has been embedded in the MCS Project Management process. It is owned by the Project Management team and the existence of an effective process was a critical success factor which contributed to the go-live achieved by the target date.
- 4.2 External Audit have also recently set out their views on the project pre-go live in their report to Audit Committee on 31 August 2005, identifying 4 specific significant risks which are being managed as part of overall risk management arrangements.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 The original budgeted position as reported to Joint Cabinet Resources Committee and Cabinet ICT Committee (19 August 2004) was as follows:

Cost/(Saving)	2004/5	2005/6	Ongoing annual base budget cost
	£000s	£000s	£000s
Total Capital	5,662	2,498	0
Revenue			
Preferred supplier costs	0	611	611
Capital financing costs	0	500	500
Savings from legacy systems and mainframe	0	(331)	(662)
Procurement costs	500	0	0
Total Revenue	500	780	449

5.2 While expecting to draw upon the budgeted contingency due to unforeseen expenditure on agreed change control procedures and on purchasing PC upgrades for the business, the Modernising Core Systems project will come in under budget with costs minimised within existing budgets and by additional income contributions which are being sought from partners. A detailed budget monitoring for the MCS project is reported to the Programme Board on a monthly basis.

6. LEGAL

6.1 None.

7. CONSTITUTIONAL POWERS

7.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including “Ensuring that ...the action taken by the Council to implement fully a risk management system are balanced, fair, conform to accountancy standards and meet prevailing best practice.”

8. BACKGROUND INFORMATION

Phase 1 – the System, the Stats and the Support

8.1 All aspects of the phase 1 SAP solution implementation went live on Monday 1 August 2005 in line with the key project milestones.

8.2 As part of the implementation, numerous key deliverables were achieved through the various aspects of the system, from the extensive roll out of those aspects of the system to wage payments to staff members through SAP for the first time. Full details of these deliverables are detailed in **appendix 1**.

Phase 1 – Training and Support

8.3 A fundamental aspect of providing support to phase 1 go live has been the establishment of the competency centre, the central helpdesk that proactively supports and develops users in their use of SAP, ensures full exploitation of the SAP going forward and develops SAP in accordance with changing business requirements, product and service changes going forward. For an update on the current competency centre statistics, see **appendix 2**.

8.4 Clearly, however, the first line of support for users has been the intensive training programme that has been put in place and rolled out across the authority through MCS. **Appendix 3** outlines the attendance rates at courses to date. Initial feedback suggests that the training material has been clear, easy to understand and trainers have spent time to explain things using examples from the work place.

Phase 2 – Functionality and Realising the Benefits of the System

- 8.5 Phase 2 of MCS go live will take place on 1 April 2006, with work beginning on this immediately following the closure of phase 1 at the end of August 2005. For an outline position on what is included within phase 2, see **appendix 4**. This implementation will continue to be supported by both the competency centre and a training programme as delivered in phase 1.
- 8.6 Clearly, while SAP is live, benefits to the authority will not be leveraged automatically and must be managed proactively. As well as marking the move into phase 2 implementation of the remaining aspects of the SAP system, the end of August represents the beginning of a new stage in the development of the organisation enabled by the Modernising Core Systems project outcomes.
- 8.7 The MCS Change Team will lead on the identification and realisation of benefits including savings. Working with all services, the team will facilitate an evaluation of their business processes based on a consistent methodology and approach. Best practice will be adopted to improve processes by streamlining and re-engineering and removal of inefficiencies and duplication. The Change Team will work closely with the Competency Centre to ensure that the functionality of the SAP system is fully exploited in order to support and expedite the necessary process improvements.
- 8.8 Benefits identified are grouped into 3 broad categories:
- *Systems Decommissioning* – this work includes both the decommissioning of major applications, for which termination notices have already been issued, and closing smaller local systems such as Access spreadsheets. A programme of activity to do this commences 26 September.
 - *Process Improvement* – a number of SAP based processes automate existing paper based processes.
 - *Staffing* – both of the above result in the need for lower staffing numbers. A concordat with the local Trade Unions is in place to deal with this issue and the identification of areas of potential efficiency will commence in October. These benefits will feed into the 2006/7 and subsequent budget rounds.
- 8.9 Further benefits are expected to be realised from procurement both in terms of improved practice leading to lower contract costs and from enhanced controls allowing for better management of existing contracts. These benefits will take longer to realise but should impact on the 2007/8 budget.
- 8.10 A final set of benefits relate to the broader organisational opportunities that integration of HR and financial information offer the authority. Allied with the range of self-service functions being delivered by the project, a more streamlined set of corporate support functions should be possible. Proposals to restructure Resources to reflect these opportunities will be put to Members, initially through Cabinet for consideration later in the year.

9. LIST OF BACKGROUND PAPERS

9.1 None.

BS: JL
BT: CM

Appendix 1: Key System Deliverables

Users

311 R3 (core function – HR/Finance) users
445 EBP (procurement module) buyers
391 EBP buyers waiting for release once trained.

The criteria for releasing users to use the SAP solution was, business critical users who have been trained in the appropriate functions within SAP in line with the roles defined by the business.

62 000 Customers

The criteria used to import customers into the SAP solution was based on those accounts in the legacy systems where there was an outstanding balance and / or we have transacted in the last 24 months.

4 900 Vendors (Suppliers)

The criteria used to import suppliers into the SAP solution was based on those accounts in the legacy systems where there was an outstanding balance and/or we have transacted more than 3 payments in the last 12 months.

940 Cost Centres

The criteria used to create cost centres in the SAP solution was based on the publication of the Organisational Structure as published by the Chief Executive in the January edition of First Hand and in consultation with the Accountancy Teams and Departmental Managers.

2 500 Stock Items & Material Masters

Stock items and Material Masters were created in the SAP solution through a process of data cleanse from information out of Radius and in consultation with the business where stock was held outside the depot (5 locations).

8 000 Service Masters

Service Masters were created through data cleansing activity of information within Symology and with validation from the business.

1 EBP Internal Catalogue

10 external vendor catalogues feeding through to 1 internal catalogue with about 100 items on it. Each catalogue was created with consultation with the business and pulled together into one internal catalogue for all EBP buyers to access.

Punch Out Catalogues

Punch out catalogues with Office Depot and Supplies Team with two more going live early next week (County Supplies and SCC). The punch out catalogues were selected in consultation with the Strategic Procurement Team and in line with Contract Procedure Rules.

16 488 Functional Locations (Streets, Buildings and Rooms)

These represent the physical asset hierarchy in SAP as per the corporate gazetteer.

293 Work Centres (Representation of the labour force in WOM eg Fitters, Electricians, Plumbers)

323 Task Lists

Task lists set up in WOM for the work centres to follow. These are a standard set of work instructions which will be copied through to a work order when planned maintenance schedules a job.

31 836 Pieces of Equipment (lamp posts, parking machines).

25 Interfaces

Interfaces with other business critical systems, with a further 7 interfaces with non Business critical systems interfacing to 19 business systems

6 500 Month End Payroll

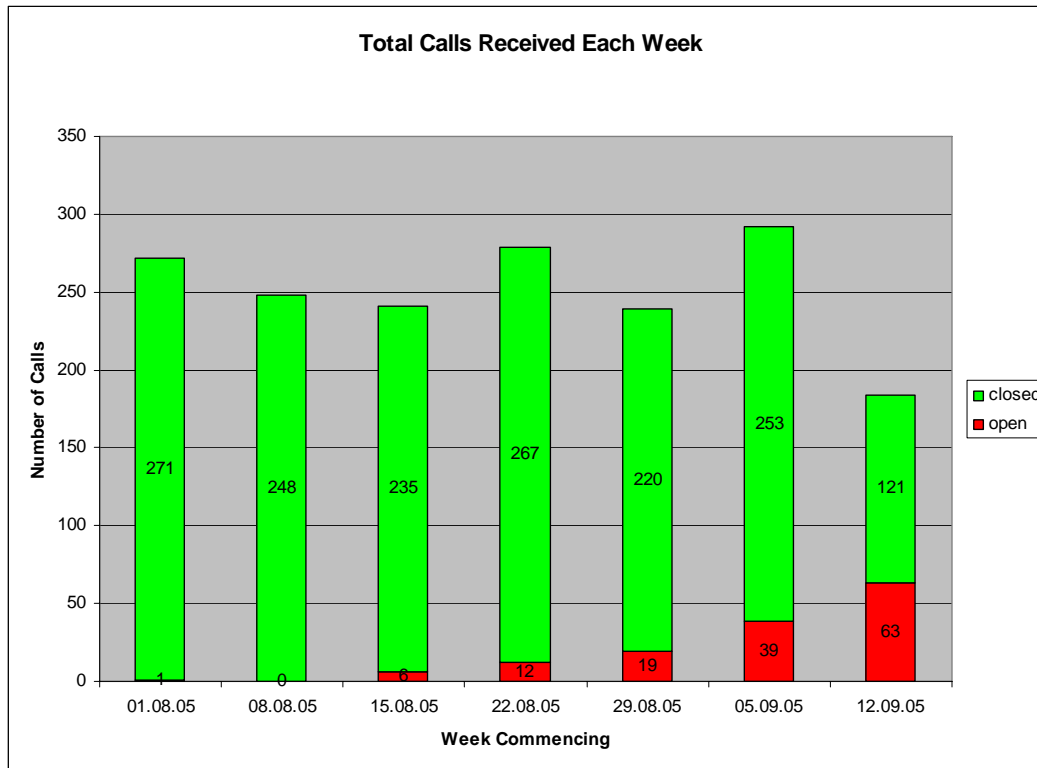
End Of Month staff paid by the SAP Payroll.

Employee Records

Capturing 52 data entities on every employee.

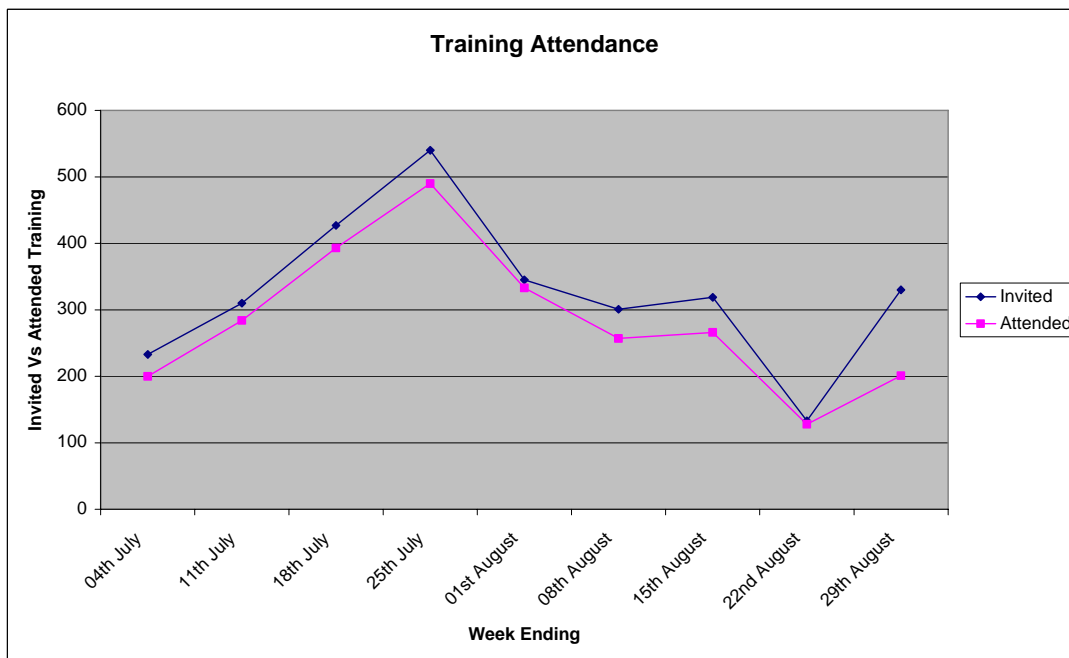
Appendix 2: Competency Centre Statistics

A total of 1755 calls have been received during the first seven weeks of operation of which 92.0% have been resolved.



Appendix 3: Attendance at Training

Training schedule is ongoing and continues through to end of September with average attendance at 87%



Appendix 4: Phase 2 Functionality

Original Scope of Phase 2

Data Warehouse

Business warehouse is an advanced report writing tool. It allows the user to pull data from multiple sources into a single report. This would be time consuming and clumsy using standard report writing tools. The business warehouse tool should not be looked at in isolation, but rather one reporting mechanism in the suite of tools available to LBB. Only those reports suited to this tool will be written in business warehouse.

E Procurement (e Tendering)

The electronic processing of bid invitations, whereby potential suppliers are identified and can submit responses for the supply of specific goods and/or services.

Two types of bid invitation are available. Public, where the process takes place via an internet portal/marketplace or own web page, and thereby open to a larger number of responses. Private, where the process takes place by e-mail, with the number and identity of the bidders strictly controlled, usually to the currently accredited suppliers for the corresponding type of goods/services.

HR Employee Self Service – holiday, personal detail and expenses using e-forms

This is a solution, that via the internet allows LBB employees to enter their own holiday requests, amend their own personal details, such as address and telephone number and enter expense requests. Through the use of workflow these are routed to their manager for approval.

Health and Safety (Occupational Health)

Although this was originally phase 2 this has been implemented in phase1.

HR Performance Management

Employees performance can be tracked and monitored in SAP using PD (appraisals) linked with company objectives. Employee targets can be set for the year and appraised at regular intervals to ensure they are in-line with expected results. Training courses can also be linked with appraisals to ensure the relevant skill transfer is available for the employee to achieve their aim.

HR Training Management

Training & Event Management (TEM) is used to control, track and monitor training of employees – and external people if needed - throughout the duration of the employee or external person lifecycle.

This can also include, if required, the recording and the monitoring of qualifications gained when attending various courses. This has the advantage of matching position requirements against employee qualifications efficiently.

HR Recruitment

HR Recruitment tracks applicants through the various stages of Recruitment and allows correspondence to be produced to aid the end-user with the administration process. This integrates with PA and applicant information is passed from Recruitment to PA, thus avoiding duplication of data.

Phase 2 Scope through Change Control

HR Cost Planner

The personnel cost planning and simulation capabilities of SAP enable cost planners to support both strategic personnel management and overall enterprise strategy. Scenarios can be created based on different assumptions to simulate future developments. The consequences of those developments can then be analysed, and planned-actual comparisons enable deviations to be recognised promptly and acted upon. Furthermore, user-friendly Web applications allow parts of the planning process to be de-centralised to line managers, making managers more aware of costs. This gives the facility to anticipate at a detailed level in-year salary forecasts, or to model future payroll costs. 'Detailed level' in this context refers to planning over and above simple GL account percentage increases – for example determining the cost of establishment positions, deriving additional cost items (such as changes to employers National Insurance/ Pension contribution), and the cost implications of incremental growth, FTE headcount changes and pay awards.

Works Order Management – Environmental Services

During phase 1 a WOM template was implemented. Certain areas of the business were not in the original scope. The plan of phase 2 is to roll out the current template to these areas of the business and implement additional functionality as defined necessary in the business blueprint to meet their business requirements.

Instalment Payment and Discount Facility

Invoice Write Off on Block

Aged Debt Analysis by Sales Office

Category B Interfaces