Report for: Corporate Committee

Item number: **10**

Title: ONESAP Lessons Learnt

**Report
authorised by :**   Tracie Evans – Chief Operating Officer

Lead Officer: Neville Murton – Lead Finance Officer
Ward(s) affected: ALL

**Report for Key/
Non Key Decision:**

1. **Describe the issue under consideration**

    1.1. At their last meeting the committee heard about an increase in outstanding payments due to suppliers of the Council which had arisen following the implementation of the council's new Vendor Invoice Management system.

    1.2. In the light of concerns the committee asked to receive a report setting out the lessons that had been learnt from the implementation and separately receive an update on the level of payments outstanding.

2. **Cabinet Member Introduction**

    2.1. Not applicable.

3. **Recommendations**

    3.1. That Corporate Committee note the report.

4. **Background information**

    4.1.   The Council's core financial system is SAP. In 2014 and following a procurement exercise the Council appointed HCL as their Managed Service provider for SAP.

    4.2.   The contract provided for a number of system changes and envisaged a number of outcomes:

    - The transfer of the SAP system and data from hardware owned and maintained by the existing supplier (LOGICA) to HCL;

    - Re-implementation of the SAP system to take advantage of version updates that had taken place and not been implemented under the previous contract;

    - Implementation of two new modules not previously used by the Council – Flexible Real Estate (FRE) to administer the council's commercial property portfolio; and Vendor Invoice Management (VIM) an e-invoicing solution.

    - Achievement of contract hosting and support savings totalling c£650k per annum.

    4.3.   With the exception of the VIM solution all other outcomes were achieved.

4.4.	VIM provides an end to end purchase to pay (P2P) solution where goods and services procured by the Council are processed with minimal manual intervention using electronic based workflows. This approach minimises the use of paper based processes and is intended to reduce delays in the payment of invoices and improve controls.

4.5.	In essence when implemented and working correctly an order is raised for every purchase and approved electronically by the relevant budget holder subject to the Council's scheme of delegation; i.e. the system enforces the various approval stages which typically are related to order values.

4.6.	Once approved and sent to the supplier, the subsequent receipt of the invoice relating to the order is received by multiple sources including email into an automatic scanning facility. Here using electronic recognition techniques the invoice is matched against the order and, subject to certain parameters, processed without further intervention for payment.

4.7.	Where there are discrepancies between the order and invoice, workflows operate to route information and seek appropriate resolution by the responsible officer. Email notifications operate to alert officers of outstanding actions. Information is accessible electronically 24 hours a day.

4.8.	It became clear soon after the 'go-live' date that problems existed in the way the system was working and HCL and the Council embarked on a process of seeking to identify and resolve the issues. However, in the intervening period the value and volume of payments owed by the council to its suppliers increased significantly leading to complaints.

4.9.	Following resolution of the issues a lessons learnt exercise was initiated at the request of the Chief Executive and reported to the Council's Senior Leadership Team (SLT) in June 2015.

5. Key Issues.

5.1.	The key issues identified at the time were:

- There was a lack of compliance within the organisation for key processes despite several high level communications e.g. the number of requests for services placed without an official order was high resulting in invoices arriving without a corresponding order to match against;

- Users familiarity with the SAP system was poor despite it being in place for a number of years – it is acknowledged as a complicated system and users had tended to 'learn' by rote only those processes they used regularly resulting in a failure to really understand how the system worked;

- Some users guides were not provided or were of a poor quality;

- The business rules set up to govern the scanning process were incorrect and had to be re-visited resulting in large numbers of invoices being unmatched and requiring manual intervention;

- The response by HCL to the initial problems was poor – they did not seem to have the skills to identify and resolve the issues swiftly;

- There was insufficient internal expertise to deal with the issues alongside their existing business as usual workloads; and

- The Management Information reports were not developed adequately within the system which could have highlighted where similar reasons were delaying automatic processing.

6. Findings and Lessons Learnt

Product Selection

6.1. The procurement was undertaken through a competitive dialogue process (CD) where the supplier proposes the optimum solution; this is in contrast to the organisation identifying the required product and seeking to procure that product as efficiently as possible.

6.2. The product proposed by HCL was based on third party software that they had not implemented previously in another Local Authority setting.

> **Lessons Learnt (Product Selection):**
> 1. The degree of business change required (organisational change readiness) should be considered at an early stage when procuring new processing systems
> 2. Increased due diligence should be taken in selecting a system that a supplier has not implemented in a comparable organisation.

Design, Build and Test

6.3. VIM solution design signed off by Head of Procurement & Procurement Lead.

6.4. Procurement Lead resigned during the test planning phase – finding a suitable replacement at this critical point proved extremely difficult.

6.5. The Head of Procurement signed off the test plans but left the organisation during user testing further reducing expertise, particularly in LBH procurement processes.

6.6. Aggressive user test schedule to meet implementation date (financial cost if go-live delayed)

6.7. User testing conducted in parallel with training content preparation, data migration and implementation planning which placed too many demands on same resource

> **Lessons Learnt (Design Build and Test):**
> 1. Subject management expertise must be involved in design (ideally with experience of previous implementation) and in conducting full end to end user test – cannot be reliant on external supplier
> 2. Identify when key resource dependent and have mitigation plans in place (this was a common risk across other areas of the One SAP programme e.g. Property, Finance)
> 3. Undertake independent assurance of testing strategy, user test plans, results and sign-off to ensure completeness before confirming go-live
> 4. Appropriate time needs to be allowed for full acceptance testing, minimising the number of other parallel activities, with contingency in place

Training

6.8.   The training needs analysis undertaken by HCL did not highlight the Council's lack of organisational readiness for change (e.g. new skills needed, current levels of compliance, take on of additional work/processes to be undertaken)

6.9.   Staff across the Council did not attend training despite continual chasing from Programme Management Office and the Senior Responsible Officer

6.10. E-learning product from HCL was of poor quality, however even after improvement was not embraced by staff as a learning tool.

6.11. Many Shoppers who attended hands-on training were not familiar with basics of SAP SRM even though they should be using it on a regular basis; additional basic training needed post go-live.

6.12. Not all Super Users had the skills to support staff despite extensive briefing, training and involvement in testing.

6.13. Major change for Accounts Payable staff with new skills required which proved challenging.

Lessons Learnt (Training):
1. Training needs analysis should be conducted jointly with the Council and include organisational change readiness (assessment of degree of process/up-skilling/culture change required to successfully implement solution)
2. Where significant training is required across the Council (as opposed to a discrete user group) an approach needs to be found that ensures engagement and compliance (e.g. training compulsory or no access to system)
3. Super Users should be selected on the basis of the skills required, not just their availability.
4. Training approach needs to consider carefully the methods and tools employed (e.g. just how effective any use of e-learning will be)

Implementation

6.14. Large number of outstanding paper invoices since 2010 unexpectedly loaded by Business (uncoded &unauthorised); major impact on anticipated backlog in VIM on Day 1.

6.15. Quality of master data provided by Business Units for system set up was poor (e.g. coders, approvers) which impacted workflow.

6.16. Lack of training undertaken by staff together with capability of Super Users to provide support severely impacted effective use of VIM ("VIM works well but is unforgiving if you don't comply")

6.17. General issues around payment of invoices made visible – issues often data related/compliance rather than VIM related

6.18. Confusion across supplier base as to new process for invoicing, adding to internal workload (multiple invoices, large number of calls)

6.19. Issues not escalated either within Business or AP - problems only came to light 6 weeks after go-live after programme team stood down

6.20. AP Team swamped and de-motivated, compounded by dissatisfaction at restructure and move to SSC with associated job reductions.

6.21. HCL could not bring back expert VIM training resource (assigned to another client); consultants they did bring in did not have same level of experience

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Lessons Learnt (Implementation):
1. Experienced operational management needs to be in place on go-live to monitor successful implementation and manage issues arising
2. Shortfalls in design, testing and training will materialise into major problems at implementation
3. Data quality is key (especially master data) and needs to be thoroughly checked (HCL "loaded what they were given")
4. External parties (partners, supplier etc) that are impacted should be involved earlier in implementation planning
5. Be cognisant of potential wider organisational changes affecting staff involved

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7. **Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

8. **The Assistant Director of Corporate Governance confirms that there are no legal implications arising from this report.**

9. **Use of Appendices**

   None

10. **Local Government (Access to Information) Act 1985**

10.1. The following background papers were used in the preparation of this report:

   - SLT Lessons Learnt Presentation June 2015

10.2. For access to the background papers or any further information please contact Neville Murton –Lead Finance Officer.