Bob Lanzer, Cabinet Member for Economy and Corporate Resources	Ref No: ECR01 (19-20)
November 2019	Key Decision: Yes
Procurement of a Business Management Solution	Part I
Director of Finance and Support Services	Electoral Divisions: n/a

Summary

The Council's core back office support services, Human Resources (HR) and Finance, currently rely on a business management system provided by SAP SE which was acquired in 2001. It is necessary to replace this system as the current one cannot meet future business needs. The support and maintenance contract ends in 2021 and SAP has given notice that it will no longer support the current version of the system from 2025.

West Sussex Plan: Policy Impact and Context

The implementation of a new corporate system directly contributes to the priority 'a council that works for the community', by ensuring value for money. Replacing the corporate system, which supports the Council with its HR and Finance processes, will improve processing times. It will enable the Council's workforce to work more smartly and do more self-service. This proposal aims to enable quicker and better information sharing and better decision making. The new solution will be cloud-based which aligns with agreed IT Strategy.

Financial Impact

The cost of implementing a new system, is likely to range between £1m to £1.5m (one-off cost). The life of the new system is estimated to be 5 years. Annual ongoing costs for licensing, support and maintenance are likely to range between £500k and £800k resulting in indicative savings of at least £300k per annum potentially from 2021/22 onwards. Apart from financial benefits associated with licensing, support and maintenance, additional benefits are expected through workforce efficiencies as a result of increased automation, increased self-service and faster processes. These savings will be validated as the project is progressed.

Recommendations: That the Cabinet Member:

(1) Approves the commencement of a procurement process in November 2019 for a business management system contract scheduled to commence January 2020 for a period of 5 years with options to extend for a further 2 years;

(2) Approves the commencement of a procurement process in November 2019 for an implementation partner contract scheduled to commence January 2020, if this is not included as part of the procurement of a business management system; and

(3) Delegates authority to the Director of Finance and Support Services to award both contracts to the provider(s)who submit the most economically advantageous tender and can best meet the quality and performance standards required.

Proposal

1. Background and Context

1.1. The Council has established a corporate transformation programme to deliver its ambition for the communities of West Sussex, whilst helping it to respond to the financial challenges it continues to face. Within the transformation programme, there are a number of projects, which focus on changes and improvements to the Council's core back office support service functions. The replacement of the Council's business management systems is one of the key projects.

1.2. The Council competitively procured its current business management system (SAP) in 2001. The licence was renewed by the Council in 2008 and subsequently novated to Capita as the Council's delivery partner. Capita's contract with SAP for support and maintenance services that supports HR and Finance activity comes to end in December 2021. This therefore provides the Council with the opportunity to replace the current business management software with a cost-effective, future-proof system.

1.3. The current SAP product provided to the Council is reaching the later stages of its life. The SAP roadmap leading to the next generation of its products presents a discontinuity to the extent that future products are, in effect, the equivalent of implementing a new product and would need to be considered as part of a procurement process.

1.4. A modern, fit for purpose replacement to the current system, which draws upon industry best practice and offers the Council the ability to deploy the latest continuous technological innovations in an efficient way, would support the organisation in meeting its objectives, and offer a solid platform for meeting future business demands, pressures and needs.

2. Proposal Details

2.1. The proposal presented for approval is to procure a system replacement to the existing corporate system, with an Enterprise Resource Planning (ERP) system, with the potential for additional support services, or with software that can act in a way similar to that of an ERP. ERP is the term used to describe a business management system.

2.2. ERP systems are off-the-shelf, offer HR and Finance functionality through a single system, are configurable, can integrate with other systems and applications, are increasingly cloud-based and are built to industry best practice.

2.3. ERP systems can be suited for large and medium size organisations and the pricing structures can vary accordingly.

2.4. Market research undertaken as part of the project and has helped inform the specifications requirements. The product and subsequent implementation will be competitively procured through a framework and will be awarded on best value.

2.5. It is anticipated that a new system will be operational by April 2021, subject to successful procurement and contract award by February 2020 for a business management system. Many suppliers of business management systems include onboarding and implementation as part of product selection. However, if this is not the case, then the services of an implementation partner will be procured. The implementation partner will support with ensuring the system is setup and installed in the most effective way and within project timeframes. Detailed implementation and resourcing plans will be informed by discussions with the supplier/implementation partner.

Factors taken into account

3. Consultation

3.1. A wide range of internal stakeholders have been consulted in order to reach the recommendation set out in this report. These stakeholders have included subject matter experts (SMEs) from HR and Finance and Procurement Directors, Heads of Service and operational management levels. The Cabinet Member for Finance has been consulted.

3.2. In addition, market testing was undertaken, which included product demonstrations. Demonstrations included specific functionality and usability requested by each of the SMEs.

3.3. As part of market testing, a number of Local Authorities were engaged to understand their experiences of procuring and implementing ERP platforms. Feedback from these engagements were taken into consideration and informed the options appraisal process detailed in section 7 of this report.

4. Financial (revenue and capital) and Resource Implications

4.1 *Revenue consequences of proposal*

4.1.1 To date £268k has been spent in developing the project and the procurement specification. These costs have been incurred on consultants who helped develop the functional requirements for services and for a project manager.

4.1.2 Provision for the one-off costs of implementation were anticipated and have been provided for within the Service Transformation Reserve and the estimated on-going licencing costs can be accommodated within existing financial resources. High level costings are summarised below.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Estimated Costs of Proposal: Implementation Costs Licence Costs	1.500 1.100	0.800	0.800	0.800	0.800
Total Estimated Costs	2.600	0.800	0.800	0.800	0.800

Estimated Financing: Existing Revenue budget	1.100	1.100	1.100	1.100	1.100
Drawdown from Reserves	1.500				
Total Estimated Financing	2.600	1.100	1.100	1.100	1.100
Remaining Budget/Potential indicative saving	**0.000**	**0.300**	**0.300**	**0.300**	**0.300**

Whilst the above are indicative and subject to the outcome of the procurement process, there is sufficient budgetary headroom to give reasonable assurance that the final costs can be met from within existing budgets and reserves. The table assumes the higher end range of costs quoted earlier in the report.

Furthermore, the identification of service benefits and budgetary savings to be gained post-implementation through more efficient working will form a key part of the project as it progresses, to help ensure and demonstrate value for money. The Council has anticipated savings arising as a result of the transformation programme and the replacement of the current SAP system will contribute in due course, albeit that savings are not expected to be achievable until 2021/22 after a move to a new service. The replacement of such old legacy systems and the transformation of service processes and activities through using new technologies will require significant upfront investment and time to ensure successful implementation.

5. Legal Implications

5.1. Both contracts proposed to be awarded under this report will be over the relevant EU procurement thresholds for Supplies and Services contracts (£181,302) and so both will be subject to a procurement process in compliance with the Public Contract Regulations 2015 ("PCR").

5.2. It is currently anticipated that both contracts will be procured by way of call-off contracts from Framework agreements, reviewed and approved by the Council's Procurement and Legal Services and awarded on the basis of the most economically advantageous tender, which fully meet the Council's requirements.

5.3. Each procurement will result in the Council incurring expenditure which is significant as decided by the Council (being over £500,000) and therefore each procurement will require a further Key Decision to award each contract once those procurement process have been completed and a preferred contractor selected.

5.4. The proposed use of framework agreements for each procurement will ensure that the Council complies with PCR and its own Standing Orders on Procurement and Contracts

5.5. The terms and conditions of contract will be reviewed and approved by the Council's Commercial Legal Services.

6. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
Delay to procurement and contract award results in additional cost associated with extending licensing for the incumbent system	• Project timeline developed, which suggests April 2021 go-live • Senior Responsible Officer (SRO) engaged and programme governance in place to ensure effective escalation and decision making as and when required to keep activity on-track
Selected product fails to meet key business requirements, negatively impacting service delivery and benefit realisation	• Market research/testing undertaken to ascertain suitability of products • First set of prioritised business requirements signed-off by service SMEs • Second set of prioritised business requirements nearing SME sign-off stage, ensuring product selection is appropriate • Benefit profiling activity planned
Selected product is not implemented appropriately, negatively impacting service delivery and benefit realisation	• Implementation partner will be selected based on selected product • Appropriate time and resource will be planned for design and implementation • Data cleansing activity will commence early
Potential TUPE implications associated with activity undertaken by our delivery partners	• Risk to be managed in line with partnership contract management arrangements
Costs associated with procuring a new business management system are higher than anticipated	• Market research undertaken to inform costs associated with procuring a new business management system • Costs based on a range, with the upper-end of the range used to provide a cost forecast
Availability of skills and capacity within the Council to implement a new business management system	• Specialist skills and capacity will be procured in the form of an implementation partner • Internal experts will be made available to the project through secondment and backfill as necessary, acknowledging need to manage knock-on service impact.
Full benefits of a new business management system are not realised	• A change assessment will be undertaken and a change readiness

because adoption of change is slow	plan will be developed and implemented

7. Options Considered

7.1. A number of options were considered and appraised in order to reach a conclusion on the preferred option that is recommend in this report. The options considered were:
- Do nothing – Current arrangement
- Implement an ERP solution
- Implement best of breed solutions
- Shared service arrangement

The table below provides a summary of these options.

Current arrangement	The present ERP solution is supplied by SAP, operating as a loosely coupled ecosystem. Current support and maintenance arrangement come to an end in December 2021.
ERP	Products are off-the-shelf often cloud based and offer the opportunity for configuration for solutions that are developed based on industry best practice.
Best of breed	This option involves procuring multiple different systems that provide relevant HR and Finance functionality. However, integration between them is required as they do not inherently talk to each other.
Shared Service Arrangement with another Local Authority	This option requires the Council to contract with another Local Authority and use their ERP solution along with the provision of some transactional services.

7.2. The outcome of the options appraisal process is summarised below:

- The 'do nothing' option is not sustainable and would fail to support the Council's immediately emerging, as well as future, business needs. Therefore, this option was ruled out.

- A ERP solution offers rich functionality and aligns more closely to WSCC's agreed principles i.e. to enable a single version of the truth as well as centralising the core functions into one system. ERP is highly future proofed solutions for the organisation as well as meeting core business needs. This does not preclude adding specialist software to enhance functionality if appropriate.

- The best of breed solutions offers significant attractive options for specific user groups, the integration between the HR and Finance systems outweighs the potential improved functionality in some areas

- The shared service arrangement offers some benefits in terms of a smoother implementation as the system is ready and has been tried and tested.

Based on the outcome of the options appraisal process as detailed above, the recommendation is to procure an option for an ERP solution or for a set of software that operates in a similar way.

8. Equality and Human Rights Assessment

8.1. This is an internal process and at this point no assessment has been undertaken. However, with the award of contract, the contractor will be required to support the Council in its equality duty.

9. Social Value and Sustainability Assessment

9.1. The replacement of our existing corporate system for HR, Finance, and Procurement will contribute positively towards improving the County's social, environmental and economic well-being. For example, the automation of manual business processes will change ways of working to enable greater flexibility and self-serve. This in turn will reduce the requirement for printing, business travel and our carbon footprint.

9.2. Increased flexibility will improve productivity, morale, work/life balance and employee wellbeing more generally, which will positively impact on our local economy, as a large percentage of employees are also local residents.

9.3. A new corporate system will also improve establishment and financial controls, making the Council more efficient and effective in managing providers of local services and informing future commissioning and contract management activity to achieve social value aspirations.

10. Crime and Disorder Reduction Assessment

None

Katharine Eberhart
Director of Finance and Resources

Contact Officer: Nadine Muschamp 03302223258

Appendices: None

Background papers: None