

<b>Director of Finance and Support Services</b>	<b>Ref No: OKD06 20-21</b>
<b>May 2020</b>	<b>Key Decision: Yes</b>
<b>Award of Contract: Business Management Solution</b>	<b>Part 1</b>
<b>Report by Head of Procurement and Contract Services</b>	<b>Electoral Divisions: n/a</b>

### **Summary**

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

In November 2019 the Cabinet Member for Economy and Resources (ECR01 19-20) approved a procurement process to secure a replacement business management solution and delegated authority to the Director of Finance and Support Services to let the contract. A procurement procedure has been successfully completed and the Director of Finance and Support Services is asked to endorse entering into a contract with the preferred bidder.

### **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 support the delivery of the automation and improved efficiency of existing business processes. It will enable the Council's workforce to work more effectively and efficiently, not least by supporting staff to undertake more tasks via self-service.

### **Financial Impact**

An Enterprise Resource Planning (ERP) system is proposed as set out at paragraph 2. The cost of licensing and implementing the new system is £1.14 million with a contingency budget of £460,000. Annual costs for licensing, support and maintenance will be £538,000.

### **Recommendation**

#### **The Director of Finance and Support Services is asked to:**

Approve the award of a contract in May 2020 for a business management solution to the preferred bidder, Entserv UK, for an initial term of five (5) years with an option to extend for periods up to two (2) years. The contract value is estimated at a £3.825 million for the initial term.

## **Proposal**

### **1. Background and Context**

- 1.1. Following the granting of authority to commence a procurement process for a replacement business management solution (ECR01 19-20) the Council conducted a Further Competition procurement procedure using the Crown Commercial Services (CCS) Framework agreement RM3821 Data and Application Solutions (DAS) Lot 1a which has a short list of suppliers suitable for resource planning and management solutions including financial and commercial.
- 1.2. The Council requested participation from organisations able to deliver an effective, operational solution that replaces the existing technologies in order to digitally support the delivery of corporate processes across the core business areas of Human Resources, Finance, and Procurement & Contract Management functions.
- 1.3. The Council received two (2) bids following the issue of the invitation to tender.

## **2. Proposal Details**

- 2.1. The proposal presented for approval is to award a new contract with the preferred supplier Entserv UK (a DXC Technology company) to deliver a replacement to the existing corporate system. The contract will commence from May 2020 and will be for an initial period of five years with provision to extend for up to a further two years.
- 2.2. The contract when awarded will commit the provider to implement their chosen ERP (Enterprise Resource Planning) system, in this case Oracle Fusion, in partnership with West Sussex County Council and then to support and maintain this under licence for the duration of the contract. This will ensure that upgrades and developments to Oracle Fusion will automatically be applied and available to the council.
- 2.3. The solution will include implementation of professional services and Software as a Service (SaaS) licensing charges. The software that will form part of this contract is a market leader. The solution, and the associated evaluation of the tenders received, includes the delivery of a comprehensive project plan, that will be delivered in partnership with the County Council including knowledge transfer and training to support the successful implementation.
- 2.4. The implementation will be managed within a project management governance arrangement. At the end of the contract, the County Council will be able to retain the Oracle Fusion ERP, should it wish to, whilst being free to seek an alternative supplier of the annual licensing and maintenance programme. The procurement has identified the preferred bidder following an evaluation against Most Economically Advantageous Tender (MEAT).
- 2.5. It is anticipated that a new solution will be operational by the end of 2021 and in advance of the expiration of the support and maintenance contract for the SAP system currently in use. The County Council will retain the ability to deploy the functionality available within Oracle Fusion at its own discretion, thereby ensuring that the system is adapted to the needs and benefit of the council and its changing circumstances.

- 2.6. Whilst the implementation of the ERP system will include the appropriate data transfer there is a separate project, part of the broader Smartcore programme of work, which will undertake the appropriate data archiving from the existing SAP system, to ensure that the council is able to fulfil its statutory responsibilities in relation to data retention standards.
- 2.7. The key outcome benefits and efficiencies identified as part of the business case that was approved in November 2019 are reflected in the table below.

<b>Description</b>	<b>Potential Benefit</b>
Increased automation of business processes and self-service capabilities	Cashable and non-cashable efficiencies.
Improved user interface and intuitive use	Non-cashable efficiency
Improvements in reporting and production of information	Improved timeliness and reliability of decision making, with less need for downloading and analysis of data.
Integrated budget planning and forecasting	Capacity building
Improved internal controls and business processes	Risk mitigation and increased assurance.
Integrated procurement and contract management functionality	Cashable and non-cashable efficiencies.
Single source of integrated management information and data quality	Non-cashable efficiencies and risk mitigation.
Statutory reporting and recording of HR, Payroll, financial accounts and procurement.	Single source of data and compliance.

## **Factors taken into account**

### **3. Procurement support and consultation**

- 3.1. A wide range of internal stakeholders have been consulted in order to formulate the specification for each core area of the system. These stakeholders have included subject matter experts (SMEs) from HR, Finance, Procurement, Directors, Heads of Service and operational management levels.
- 3.2. In addition, external 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 was taken into consideration and informed the options appraisal process.
- 3.4. A Task and Finish Group comprising members of the Performance and Finance Scrutiny Committee met on 27 April to scrutinise the proposals and the output from the procurement exercise. The members were broadly satisfied that the aims of the procurement had been met and that the benefits of the business solution should be realised. In particular, the group reviewed:
- The assessments that have been undertaken to reach the preferred supplier

- The consultation undertaken with stakeholders
- The efficiencies that could be made in awarding the contract to the preferred supplier
- The proposed implementation timetable
- Any change to working practices and training required for users of the new system

The comments from the Group were considered and have been incorporated into the body of this report to better explain the purpose of the contingency, the benefits to be realised and the approach to project management.

#### 4. Financial (revenue and capital) and Resource Implications

##### 4.1 Revenue consequences of proposal

- 4.1.1 Provision for the one-off costs of implementation have been provided for within the Service Transformation Reserve and the estimated on-going licencing costs can be accommodated within existing financial resources.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
<b>Estimated Costs of Proposal:</b>					
Implementation Costs	1.140	0.041			
Licence Costs	0.500	0.530	0.538	0.538	0.538
Contingency	0.460				
<b>Total Estimated Costs</b>	<b>2.100</b>	<b>0.571</b>	<b>0.538</b>	<b>0.538</b>	<b>0.538</b>
<b>Financing:</b>					
Revenue budget	1.100	1.100	1.100	1.100	1.100
Transformation Reserve	1.000				
<b>Total Financing</b>	<b>2.100</b>	<b>1.100</b>	<b>1.100</b>	<b>1.100</b>	<b>1.100</b>
<b>Potential indicative saving</b>	<b>0.000</b>	<b>0.529</b>	<b>0.562</b>	<b>0.562</b>	<b>0.562</b>

There are sufficient resources to provide a contingency for any unexpected obstacles to implementation, including the impact of the current public health measures, and/or any changes arising from the implementation, such as an increase in the volume of licences to support increased self-service.

- 4.1.2 It was estimated that the costs associated with the procurement and annual licencing and maintenance of the replacement ERP system would be £2.6 million, funded from a combination of the existing revenue budget of £1.1 million alongside one-off implementation costs of £1.5 million provided from within the Service Transformation Reserve. The procurement outcome means both the implementation costs and the on-going licencing and maintenance costs are lower than the original estimates. It is prudent to retain some flexibility to further mitigate the risks identified, to which end the difference between the Service Transformation Reserve funding earmarked for

implementation (£1.5 million) and the tender sum (£1.14 million) is proposed to be held as a contingency of £460,000.

4.1.3 There is scope to realise cashable savings and non-cashable benefits, the full scale of which will become apparent once the implementation has been completed. The council will demonstrate the achievement of value for money by delivering service improvements, enhancing the functionality available relative to the current ERP system, increasing resilience for the council in the future by utilising an integrated and fit-for-purpose system that fits with the IT strategy and which offers the potential to deliver reduced running costs.

#### 4.2 Capital consequences

4.2.1 There are no capital consequences of this decision.

### 5. Legal Implications

5.1. The contract proposed to be awarded will be over the relevant EU procurement threshold for Supplies and Services contracts (£181,302) and so has been subject to a procurement process in compliance with the Public Contract Regulations 2015 ("PCR").

5.2. In accordance with Council Standing Orders on Procurement and Contracts (regulation 9.1 (b)) the Council will enter into a Call-off contract from the Crown Commercial Services Framework agreement RM3821 Lot 1a.

### 6. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
Selected product is not implemented appropriately negatively impacting service delivery and benefit realisation	<ul style="list-style-type: none"> <li>Implementation partner will be selected based on selected product</li> <li>Appropriate time and resource will be planned for design and implementation</li> <li>Data cleansing activity will commence early</li> </ul>
Potential TUPE implications associated with activity undertaken by our delivery partners	<ul style="list-style-type: none"> <li>Risk to be managed in line with partnership contract management arrangements</li> </ul>
Availability of skills and capacity within the Council to implement a new business management system	<ul style="list-style-type: none"> <li>Specialist skills and capacity will be procured in the form of an implementation partner</li> </ul>
Full benefits of a new business management system are not realised because adoption of change is slow	<ul style="list-style-type: none"> <li>A change assessment will be undertaken, and a change readiness plan will be developed and implemented</li> </ul>

## **7. Equality and Human Rights Assessment**

- 7.1. This is not relevant to the procurement process. However, with the award of contract, the contractor will be required to support the Council in its equality duty.

## **8. Social Value and Sustainability Assessment**

- 8.1. The replacement of the 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-service. This in turn will reduce the requirement for printing, business travel and the council's carbon footprint.
- 8.2. Increased flexibility will improve productivity, morale, work/life balance and employee wellbeing more generally, which will positively impact on the local economy, as a large percentage of employees are also local residents.
- 8.3. 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.

## **9. Crime and Disorder Reduction Assessment**

- 9.1 None

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### **Background papers**

None