

Brighton & Hove City Council

Policy & Resources Committee

Agenda Item 37

Subject: Corporate Systems Review

Date of meeting: 29 July 2022

Report of: Executive Director, Governance, People & Resources

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Ward(s) affected: All

For general release

1 Purpose of the report and policy context

- 1.1 The current Finance and HR/Payroll systems have been used by the council for 16 and 12 years respectively. Although they have been maintained and updated for legislative changes etc., their architecture, functionality and mode of operation is largely the same, some of which is inherently due to how they were structured when originally implemented. As well as being separate, unintegrated systems, a detailed review of the systems, including a series of workshops exploring the wide range of functions and information the systems provide, showed that there are a substantial number of problems and barriers to effective operation and the future development of services (referred to as 'pain points') with the current systems.
- 1.2 This report considers the outcome of the recent review of the current systems and presents an outline business case for progressing a procurement process to upgrade and/or replace the council's existing corporate systems, which are used to manage the council's business critical Finance, HR, Payroll and Procurement processes.
- 1.3 The overall aim is to implement a modern solution that will address urgent technical challenges and drivers for change, whilst also enabling the council to achieve its ambitions for modernisation and transformation to provide the most effective and efficient way of delivering our services, streamlining the way we work, and providing an excellent customer experience. Any replacement system will need to support the council for at least 10 years as replacement of these systems is a major undertaking with a 2-year implementation timeline. Any replacement would therefore not only need to demonstrate up-to-date technological capabilities but will need to show evidence of forward planning and flexibility to accommodate emerging technologies.

2 Recommendations

- 2.1 That the Policy & Resources Committee agrees to commence procurement of a corporate Enterprise Resource Planning (ERP) system.
- 2.2 That the Policy & Resources Committee notes that a report will be brought back to Committee to seek approval to award a contract to the successful supplier and notes that the report will include revised purchase and implementation costs and a full business case following the outcome of the procurement process.
- 2.3 That the Policy & Resources Committee notes that the procurement process will be reported through the Member Procurement Advisory Board (PAB) at appropriate points of the process.

3 Context and background information

- 3.1 This report provides a summary of the key findings and outcome of a review of the council's major corporate Financial, Procurement, HR and Payroll systems. The review provides indicative costs and benefits and considers alternative options to inform decision-making and the recommendation to progress to a procurement exercise to upgrade and/or replace the council's existing corporate systems.
- 3.2 The current Finance & HR/Payroll systems, supplied by Civica and Midland HR (MHR), have been in use for well over 10 years and by the time any alternative could be implemented would have been in use for 19 and 15 years, respectively. During this period they have been substantially upgraded and both have evolved into web-based, cloud-hosted products in line with current trends. Both systems continue to be used widely across the public sector and MHR is also used by many private sector organisations. However, there is now very clear evidence that new systems released by major software houses within the past two years have advanced considerably and have much more to offer, particularly as local authorities move into an enhanced digital service environment. These systems also have the major advantage of being integrated which is becoming an increasingly costly barrier to developing efficient processes with the current systems.
- 3.3 The current systems will also not enable the council to achieve its service transformation and improvement plans in relation to automation or integration with digital services, nor to improve management information and decision-making through easily accessible data and insight, nor to support an increasingly flexible and agile workforce. For this reason, the existing contracts for these systems, which are increasingly costly and present declining value for money as the systems age, have been aligned and negotiated with potential replacement of these systems in mind.
- 3.4 The recommendation in this report is to enter into a procurement process to seek a modern, alternative system to that can provide a core platform for change and support, as part of the council's overall framework of processes and tools, these transformational ambitions. This change will also provide an important catalyst for the council to streamline processes, remove processing inefficiencies wherever possible, and improve working practices and internal controls through the latest workflow technologies.

- 3.5 To inform the development of this report, the council appointed SOCITM to provide expert consultancy services to support the evaluation of high-level strategic options and the development of an outline business case (OBC) to inform a decision on the future direction of its corporate systems strategy. This considered all options available to the council (e.g. Enterprise Resource Planning (ERP), Best of Breed, etc.), based on the consultancy's knowledge of the market, business analysis and implementation experience for many other similar public sector organisations. The strategic options appraisal enabled officers to clearly identify and evidence a preferred direction and option including illustrative costs and benefits to inform an Outline Business Case (OBC). This included consideration of potential procurement and delivery routes which would help to inform a Full Business Case (FBC) and implementation plan prior to the award of any contract/s. The strategic options appraisal involved engagement with senior stakeholders and subject matter experts from across Finance, HR, Payroll, Procurement, Business Operations and IT & Digital.

Strategic Objectives

- 3.6 The key strategic objectives used in the strategic options appraisal, as defined by senior stakeholders across Finance, HR, Payroll, Procurement, Business Operations and IT & Digital, to upgrade or replace the existing corporate systems included the following aspects:
- Improved Technological Capability – the current systems were implemented over 10 years ago, are out-of-date in many respects and, for the majority, will no longer be supported by existing suppliers beyond 2025. Although many of the current products are web-based and cloud-hosted, the existing supplier costs of support and maintenance are increasing significantly with each procurement period meaning that the systems represent rapidly declining value for money. The technology aim is to simplify the estate, remove dependency on expensive hardware and infrastructure, have more integrated products rather than fragmented point-of-use solutions needing maintenance, and remove current onerous interfacing / file transfer requirements that need manual reconciliation and/or intervention;
 - Transformation & Enhanced Digital Service Environment – this relates to the drive to deliver efficiencies through improving and streamlining corporate support processes (utilising an adopt rather than, less efficient, adapt ethos), removing unnecessary bureaucracy (i.e. improving workflow) and enabling greater officer self-sufficiency and agile working through digital self-service, and process and workflow automation, thereby enabling efficiencies across the council both in frontline and support function areas, including releasing time for support functions to focus on higher value, more strategic support as business partners to front-line services;
 - Cashable Efficiencies – Linked to the above, improved and streamlined processes through automation and self-service, and changes to ways of working should enable efficiencies and potentially reduce back-office staff costs. Implementing an integrated solution, supported by an optimised operation will potentially reduce both systems maintenance effort and deliver service efficiencies;

- Improved Data and Insight to Facilitate Decision Making – the drive is to easily deliver real-time management information and enhanced flexible data and analytics to meet different business needs which is used to facilitate evidence-based decision making. This is a particularly weak aspect of current systems which are ageing and have very limited data analysis and reporting capabilities;
- Partnerships and Traded Services – the drive to have a future proof solution that allows the council to retain existing customers and attract new business is important, particularly if current financial challenges across local government and other areas of the public sector endure; this requires adaptable processes with improved digital self-service and user experience and an easy ability to ‘on-board’ new clients.

3.7 The aim is to deliver more modern, intuitive and efficient Finance, HR & Payroll, and Procurement systems and processes to enable the strategic ambitions described above. In summary, the following high-level outcomes are expected to be delivered:

- Intuitive, digital self-service processes that improve user access and ease-of-use regardless of end-user device ownership, have a consistent look-and-feel for users at all levels, and increase business and citizens self-sufficiency, enabling a more agile workforce and more effective management of demand for corporate support;
- Increased automation of transactional processes, creating efficiencies and freeing-up resources to direct additional time to more complex and value-adding advice and support;
- A single trusted source of accurate and timely financial, people and procurement data to inform efficient and effective decision making;
- Maximised functionality using a standard out-of-the-box (‘vanilla’) solution as far as possible, delivering quick wins within a clear strategic roadmap and taking an ‘adopt not adapt’ approach to implementation and development.

Scope

3.8 Procuring and implementing replacement systems, whether a selection of ‘best of breed’ systems or a corporate Enterprise Resource Planning (ERP¹) system, will require a business transformation programme and will include the end-to-end review of the council’s existing Finance, HR, Payroll and Procurement processes to adopt best practice standards and maximise benefits for the council. In summary, the scope is expected to include the following:

- Users - The full scope of users of the existing corporate system, including council users and external customers that use the same system, e.g. schools;
- Functionality - Replacing the currently implemented functional footprint of corporate processes at the council including their required integration.

¹ An ERP (Enterprise Resource Planning) system solution is the industry term for an IT system that combines and integrates an organisation’s core business processes including financial, HR, Payroll, Procurement, Recruitment and other processes and functions onto one IT platform.

Additional functionality requirements will be reviewed and confirmed prior to the start of the procurement process;

- **Hardware** – The programme would include the removal of any remaining hardware requirements moving to a fully cloud hosted solution;
- **Data archiving** – There is currently many years of data held in the existing system. A GDPR compliant approach for archiving past data will be agreed and implemented as part of the solution.

3.9 It is possible that some elements of the HR and finance systems may need to be out-of-scope because they are running to a different contract timeline and/or replacement is not currently warranted. This will be agreed as part of the procurement phase.

3.10 In common with the majority of current systems, it is recommended that a cloud hosted product is procured, as opposed to deploying a system on the council's own servers. Cloud hosting provides a number of significant advantages including:

- ensuring that the system is automatically maintained and updated with latest releases and upgrades avoiding the need for ongoing major system upgrades with the associated costs and disruption;
- ensuring additional resilience and failsafe due to the large scale of supplier data centres across multiple sites for many customers, and thereby reducing the council's disaster recovery costs;
- reducing consultancy and call-out costs when changes or developments are required.

Cloud hosted is the focus for innovation and investment for most of the major corporate system providers and is specifically designed to meet the needs of an agile and mobile workforce, enhancing self-service business processes, and significantly improving the use of management information.

4 Analysis and consideration of alternative options

4.1 The Strategic Options Appraisal led by SOCITM identified and evaluated four practical strategic options for the council to consider in terms of the future of its corporate systems estate:

- **Option 1: Do nothing/do minimum** – keep the existing systems upgraded as far as possible but with severe limitations on improvements or developments;
- **Option 2: Optimise the current solutions** – implement additional modules and functionality, through intermediary products if necessary, as defined by the existing supplier's roadmaps;
- **Option 3: Procure an ERP cloud solution;**
- **Option 4: Procure a Best of Breed Suite of products.**

4.2 The strategic options appraisal considered cost, risk, and improvement opportunity for the four options. The analysis of options is relatively complex, even in summary form, and has therefore been set out at Appendix 1.

4.3 Options 1 and 2 do not require the council to go to market for a new solution but Option 2 may require some negotiation and variation to contracts if additional modules and/or interfaces were considered necessary.

Framework Agreements are available which provide the Council a compliant route to market to continue with the same solutions. The Council entered into new contracts in April 2022 and when they expire these can be replaced with similar contracts which will be awarded under a Framework Agreement.

- 4.4 Option 1, 2 and 4 are not recommended for the reasons set out in Appendix 1. In summary, these options are not recommended because they will not enable the council to achieve the strategic objectives set out at paragraph 3.6 above, carry significantly higher risk profiles, reduce or negate the ability to achieve cashable savings, and, in the case of Options 1 and 2, carry the high risk of obsolescence i.e. the supplier/s electing to discontinue support for these systems with a matter of years.
- 4.5 Option 3, procurement of a Cloud ERP solution, was found to be the most viable option in terms of delivering the council's strategic objectives, whilst also having a more balanced risk profile. Option 4 (Best of Breed) carries similar benefits but the differentiating factors that make Option 3 (ERP) considerably more favourable are:
- moving to a cloud ERP solution creates a single source of truth for master data, which for a Best of Breed solution is unproven until implemented and therefore carries much higher risk. An ERP reduces the need for 'stitching' multiple data sources together to create uniform management information;
 - there is a simpler data migration path (i.e. to one system solution) and consequently fewer third parties involved, considerably reducing implementation and delivery risks;
 - the council can look to improve its reporting and business processes through the adopt-not-adapt ethos, helping it to achieve future savings through simpler and fewer processes, reduced interfacing and workflow exchanges e.g. web forms not having to pass through multiple systems, security protocols and authorisation processes;
 - when analysing the system suppliers against the council's strategic objectives, ERP solutions offered the best fit for the future direction of the organisation.
- 4.6 The recommendation is therefore for the council to progress Option 3, procure a one ERP cloud solution for its corporate systems. This option is expected to deliver an estimated overall saving of circa £1.8 million over 13 years (i.e. during the 3 years to procurement and assuming a 10-year lifecycle for solution) and will deliver other significant benefits including:
- only having one prime IT contractor to manage;
 - technology that can specified at the outset to be configured close to the council's requirements (i.e. out of the box) and conform with the identified strategic objectives for change;
 - access to the most up-to-date technology with optimal integration, (mobile/remote) access, usability, input validation, self-service, workflow and reporting and dashboarding capabilities as modern ERP systems are the leading edge for corporate systems solutions;
 - a less complex estate than all other options providing enhanced resilience, security, flexibility and integration and, critically, providing a single source of truth for master data management;

- reduction in licencing costs by removing niche and intermediary products;
 - optimising self-service which will enable resources to be redirected to value-adding professional and advisory services;
 - providing an evergreen solution, regularly updated and patched by the supplier as part of the contract with minimal disruption or intervention;
 - the lowest long term infrastructure and maintenance costs.
- 4.7 If approved, procurement of an ERP solution as per Option 3 will be led by the council together with expert consultancy support to ensure that the council frames its requirements and specifications in accordance with market expectations, standards and requirements i.e. does not under or over specify requirements leading to technologies, capabilities or functionality being missed or unduly provided at unnecessary expense. The council will also utilise expert consultancy to help it determine the most advantageous route/s to market and keep the Member Procurement Advisory Board updated in this respect.
- 4.8 The report recommends entering into a procurement process for an ERP solution to replace the council's current corporate systems. However, the recommendation stops short of delegating the award of the contract to officers and therefore the decision to award will come back to the Policy & Resources Committee. The rationale for this is twofold:
- i. The Authority's financial position is potentially very challenging, as set out in the Budget Planning and Resource Update report to Policy & Resources Committee on 7 July 2022. Further information regarding the council's financial outlook is expected to be available in the Autumn (following expected government funding announcements) and could be better or worse than currently modelled. The council may need the option to halt or pause a range of programmes or spend.
 - ii. Similarly, having gone through the procurement process and in the current inflationary environment, the council may find that the capital costs of implementing a replacement solution (Option 3 or 4) have escalated to the point where affordability or viability of the business case is severely impacted.
- 4.9 When a further report is brought to the Policy & Resources Committee, the Committee will be asked to either award the contract to the successful supplier (it will not be open to the Committee to award the contract to any operator other than the winning bidder as this would be unlawful) or to abandon the procurement and continue with the existing systems by reprocurring contracts using a suitable Framework Agreement.

5 Community engagement and consultation

- 5.1 Senior officer stakeholders from Finance, HR, Payroll, Procurement and IT & Digital have been consulted during the development of the Strategic Options Appraisal and Outline Business Case. Subject matter experts from in-scope corporate services were also engaged as part of the development of the Strategic Options Appraisal. The council has also discussed its requirements with its Orbis Partners, ESCC and SCC, both of whom have recently been through similar options appraisals due to the discontinuation of support for their current SAP HR/Finance systems.

- 5.2 If approved, the procurement process will be reported through to the Member Procurement Advisory Board (PAB) at appropriate points of the process to keep members informed and provide them with assurance that options and routes to market have been properly evaluated and considered and that non-financial criteria such as sustainability and social value are given due consideration in the process.

6 Conclusion

- 6.1 The recommendation is to progress to a vendor neutral corporate ERP system procurement to enable the council to fully evaluate the solutions available in the market, to best meet its requirements and to drive best value for money through market competition. This approach will also enable the council to compare suppliers' implementation approaches, and in so doing to best inform planning to minimise disruption for the council during the implementation phase

7 Financial implications

- 7.1 The recommended option is to purchase and implement an Enterprise Resource Planning (ERP) system that replaces the current core Finance, Procurement, Human Resources and Payroll systems as well as current intermediary and peripheral systems (where possible/available).
- 7.2 The cost estimates have been developed with the support of external consultants (SOCITM) and reviewed and moderated by officers for local pay and cost factors. The implementation is expected to span 3 financial years (to 2025) with the marginal costs of the procurement and implementation being capitalised through borrowing and spread over the minimum expected life of the system once fully operational, which is assumed to be 10 years commencing 2025/26.
- 7.3 The following table shows the estimated capital cost totalling approximately £8.000m. This assumes that programme management and implementation is provided by directly appointed staff to keep costs down and to retain knowledge and skills within the council. However, current labour market shortages may add some risk to this forecast if current conditions persist for a long period. The system supplier implementation costs are wide ranging depending on which solution is procured but this estimate is considered prudent.

Capital Investment	2022/23	2023/24	2024/25
	£'000	£'000	£'000
System Licensing – Dual running marginal costs	130	550	460
Hardware and Support marginal costs	350	400	100
Internal programme management and implementation costs	200	1,300	1,200
System supplier implementation costs	300	1,200	1,000
Data Archiving	25	100	75
Data Migration	60	230	170
3 rd Party development costs for integration	20	80	50
Total	1,085	3,860	3,055

Cumulative	1,085	4,945	8,000
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- 7.4 The revenue costs include the ongoing system licensing, hardware and support costs as well as the financing costs arising from the capital investment above. The estimated marginal revenue costs (i.e. above current budget provision) are included in the table below:

Revenue Costs	2022/23	2023/24	2024/25	2025/26+
	£'000	£'000	£'000	£'000
System Licensing	820	820	820	950
Hardware and Support Costs	1,620	1,620	1,620	1,410
Capital Financing - Interest during implementation	16	90	195	0
Capital Financing - Borrowing over minimum 10 year life				938
Less Existing Budget provision	-2,440	-2,440	-2,440	-2,440
Net commitment in the MTSFP	16	90	195	858

Marginal annual commitment	16	74	105	663
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- 7.5 The overall cumulative increase in annual revenue costs for 2025/26 onwards is estimated at £0.858m pa.
- 7.6 The new system is expected to provide significant improvements and deliver on a range of strategic objectives that are set out in paragraph 3.6, including the potentially unavoidable technological capability and the need to support and transform corporate systems and processes in line with the changing digital environment.
- 7.7 It is expected that the key corporate support services that heavily rely on these major systems will be enabled to become more efficient as well as the front line services that are supported by them. At this stage it is not possible to directly attribute the efficiencies to individual service areas and therefore the additional ongoing costs of the system will be built into the Medium Term Service and Financial Plan and reflected in assumed, cashable efficiency savings in future years. These will be supported by a Full Business Case if the procurement of an ERP system is approved at the point when the contract award comes back to committee for final approval.

Finance officer consulted: James Hengeveld Date consulted: 20/06/22

8 Legal implications

- 8.1 The Council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. The Council's Contract Standing Orders (CSOs) will also apply.
- 8.2 Although a right to abandon (halt) a procurement is not expressly provided in the Regulations, it is implicit from the requirement to notify tenderers of a decision to abandon a procurement (Reg 55) that it is permissible. There

have been a number of cases where challenges have been brought to decisions to abandon and it is clear that the decision to abandon must be rationale and proportionate. The procurement documents will make it clear that the Council reserves the right not to award a contract and that the Council is not liable for any of the bidders' costs in participating in the procurement, including if the procurement is terminated.

If it is not possible to proceed to award a contract following the procurement recommended in this report, the alternative option of awarding further contracts under a Framework Agreement is a route to market which is compliant with the Regulations.

Lawyer consulted: Alice Rowland

Date consulted: 20/7/22

9 Equalities implications

- 9.1 The council will be mindful of its equality's duties under the Equality Act 2010 in carrying out the tender process and letting the contract with due regard to the need to eliminate discrimination across the protected characteristics. A full EIA will be completed as part of the procurement phase of the programme.
- 9.2 The council is committed to providing its services in a way that promotes equality of opportunity at every possibility. The requirements specification developed for the procurement and the contract document will stipulate that the supplier will comply with the relevant Equality and Diversity legislation. It is expected that the appointed supplier will be fully committed to equality and diversity in their service provision and will ensure compliance with all anti-discrimination legislation.
- 9.3 The procurement specification will include specific business requirements to ensure the new system complies with the council's minimum standards for accessibility, as stipulated by the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

10 Sustainability implications

- 10.1 As part of the procurement phase of the programme, the council will require suppliers to address how they can support the council's sustainability aims and how they conduct their operations in a sustainable manner, in line with the council's priorities and commitments.

11 Social Value and procurement implications

- 11.1 As part of the procurement phase of the programme, the council will require suppliers to make social value commitments showing how their organisation can benefit the local city / residents of Brighton & Hove as far as possible. Although there are no locally based major systems suppliers, there are still many actions that suppliers can take to improve social value generally, as well as providing some social value benefit directly to the locality. This assessment will form part of the quality evaluation criteria and will support the contract award to the preferred software supplier.

Supporting Documentation

Appendices

1 Appendix 1 – Detailed Analysis and Consideration of Alternative Options

