SURREY COUNTY COUNCIL

CABINET

DATE: **29 OCTOBER 2019**

REPORT OF: **DR ZULLY GRANT-DUFF, CABINET MEMBER FOR CORPORATE SUPPORT**

LEAD OFFICER: **LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR FOR RESOURCES**

SUBJECT: **DIGITAL BUSINESS & INSIGHTS PROGRAMME OUTLINE BUSINESS CASE**

SUMMARY OF ISSUE:

This report presents the outline business case for progressing procurement activities to upgrade or replace the council's existing corporate (enterprise resource planning or ERP) system, which is used to manage the organisation's business critical Finance, HR, Payroll and Procurement processes.

The aim is to implement a modern solution that will address urgent technical drivers for change, while also enabling the council to achieve its ambitions to transform services, improve management decision making and to have a flexible and mobile workforce.

Indicative costs and benefits are included in Part 2 of this report.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Approve the recommendation to progress the procurement stage, based on a vendor neutral approach, to procure a Software-as-a-Service (SaaS) corporate ERP system.

2. Approve funding of £394k for programme resources to prepare for and deliver the procurement stage.

3. Note that a report will be brought back to Cabinet to seek approval to award a contract to the successful supplier following procurement activities and to approve implementation based on a full business case including firm costs.

REASON FOR RECOMMENDATIONS:

The recommendation is to progress a vendor neutral Software-as-a-Service (SaaS) corporate system procurement to enable the council to fully evaluate the solution options available, 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 organisation during the implementation phase.

DETAILS:

Introduction

1. The purpose of this report is to inform a decision based on indicative costs and benefits to progress a procurement exercise to upgrade or replace the council's existing corporate system, which manages the organisation's business critical finance, HR, Payroll and Purchasing processes.

2. The current system will no longer be supported by the supplier, SAP Plc, beyond 2025 and the existing server hardware is now beginning to show its age with more performance issues arising. The current system will also not enable the council to achieve its transformational ambitions to drive service transformation, improve management decision making through easily accessible data and insight, and to have a flexible and mobile workforce.

3. This report recommends the implementation of a modern Software-as-a-Service (SaaS) system to provide an enabler, as part of the council's overall framework of processes and tools, to support these transformational ambitions. This change will also provide an important catalyst for the organisation to streamline processes, remove inefficiencies wherever possible and drive slicker working practices.

4. To inform the development of this report, a Strategic Options Appraisal was developed to assess the options available to the council and to determine which options should be progressed to the outline business case stage. The Strategic Options Appraisal involved engagement with senior stakeholders from across Finance, HR, Payroll, Procurement, Business Operations and IT&D and confirmed agreement to progress this programme as a priority and on the need for the improvements that it should deliver.

Strategic drivers

5. In summary, the key strategic drivers to upgrade or replace the existing corporate system at the council include the following aspects.

   - Technical imperative - the current system was implemented in 2004, is out-of-date and will no longer be supported by SAP beyond 2025. The existing hardware was procured in 2011 with a projected lifespan of 5 years and is now suffering performance problems, increasing the risk of system failure with serious consequences for the council. The hardware is also on expensive extended support, with costs increasing every year.
   - The transformation agenda – the drive to deliver efficiencies through improving corporate support processes, removing unnecessary bureaucracy and enabling greater staff self-sufficiency and agile working through digital self-service, releasing time for corporate support functions to focus on higher value, more strategic support as business partners to front-line services.
   - Business Operations external customers (e.g. schools) - are demanding a move from their current mediated access to services to a fully mobile digital solution at a competitive price. For the council to retain existing customers and attract new business, slicker processes with improved digital self-service and user experience are required.

6. The aim of this programme 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 programme aims to deliver the following high-level outcomes.

- <u>Intuitive digital self-service processes</u> that are accessible from anywhere, have a consistent look-and-feel and increase staff self-sufficiency, enabling a more agile workforce and more effective management of demand for corporate support.
- <u>Increased automation of transactional processes</u>, creating efficiencies and freeing-up resources to direct additional time to more complex and value-adding advice and support.
- <u>A single trusted source of accurate and timely financial, people and procurement data</u> to inform efficient and effective decision making.
- <u>Improved evidence-based decision making</u> through the ability to slice, dice and analyse data to meet different business needs.

7. These outcomes closely align with the council's Organisation Strategy for 2019-23, which was developed in response to the Community Vision for Surrey 2030. Specifically, this programme aligns with the following strategic themes:

- the drive to implement robust, resilient and effective financial management;
- the drive to exploit the benefits of digital technology to drive service transformation;
- improving management decision making through easily accessible data and insight;
- and having a flexible and mobile workforce where the majority of staff are able to work anywhere and at any time supported by the right technology.

Scope & benefits

8. This is 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 organisation. In summary, the scope includes the following.

- <u>Users</u> - The full scope of users of the existing corporate system, including council users and external customers that use the same system, e.g. schools including academies.
- <u>Functionality</u> - Replacing the currently implemented functional footprint of SAP licenced corporate processes at the council including their required integration. Additional functionality requirements, such as Contract Management, will be reviewed and confirmed prior to the start of the procurement process.
- <u>Hardware</u> – The existing server hardware has reached end-of-life and is on expensive extended support, with costs increasing every year. This programme includes implementing a SaaS solution, which will replace this hardware in hosting the new system.
- <u>Data archiving</u> – There is currently 16 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.

9. The following systems are out-of-scope for the programme with the exception of their integration with the new SaaS system: E-invoicing, which is currently managed using the Taulia system, Learning Management and Recruitment, which are managed by the recently implemented SAP Success Factors system and Tribepad system respectively.

10. It is recommended that a Software-as-a-Service (SaaS) product is procured, as opposed to an in-house hosted solution, to ensure that the new system is future-proofed and that the organisation is able to benefit from the release of new technologies via ongoing software updates, avoiding the need for another major system upgrade with the associated costs and disruption in a few years' time. SaaS is the focus for innovation and investment for 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.

11. Key benefits identified from implementing a SaaS corporate system include the following:

Type of Benefit	Detail
Financial Benefit	• Avoided £2m capital cost of upgrading the existing SAP hardware, which would be required for an in-house hosted solution. • Improved processes through automation and self-service, and changes to ways of working will create efficiencies and potentially reduce back office staff costs. • Improved technologies are likely to reduce the number of business support staff required to support a SaaS-based technology.
Non-Financial Benefit	• Ability to procure a fit-for-purpose solution that meets the council's requirements • Implementation of manager and employee self-service will improve processes and reduce inefficient activities for council staff. • Flexibility of SaaS subscription licences enables improved scalability (ability to flex to accommodate changes in requirements) • Planned upgrades will be undertaken in the SaaS Cloud, future proofing the solution with limited disruption to business. • Improved access channels will increase the ability to interact with the ERP system remotely. • SaaS technologies allow for improved integration between the ERP and other databases, enabling easier integration of financial and non-financial data.

Options considered

12. Corporate ERP systems are broadly categorised into two categories, the most comprehensive being classed as Tier One and the less comprehensive being Tier Two. Typically, Tier One solutions are installed by multinational organisations, which deal in multiple currencies and require end-to-end process management, across for example manufacturing supply chains. Tier Two solutions tend to be implemented by less complex organisations where less configuration of processes is required.

13. The Strategic Options Appraisal evaluated four practical strategic options for the council to upgrade or replace its existing corporate system. The Programme Board agreed to progress the following three strategic options to obtain indicative pricing and to progress to the outline business case stage.

- Strategic Option 1: A greenfield upgrade of the existing system - A re-implementation of SAP's next generation solution including a complete re-engineering and simplification of the council's in-scope processes.
- Strategic Option 2: Alternative Tier One system implementation (e.g. Oracle or Workday) - A complete re-design of the council's corporate system including the implementation of an alternative Tier One system.
- Strategic Option 3: Alternative Tier Two system implementation (e.g. Unit4 Business World (Agresso)) - A complete re-design of the council's corporate system including the implementation of an alternative Tier Two system.

14. The Programme Board agreed to discount an alternative option to deliver a brownfield upgrade of the existing system as not being suitable to deliver the transformational strategic objectives of the programme. This option would be an evolution of the council's existing system through an incremental upgrade process to SAP's next generation solution rather than delivery of a full re-implementation as in strategic option 1.

15. The following five options for next steps have been evaluated.
- Procurement Option 1: Vendor neutral SaaS corporate system procurement (including SAP greenfield, alternative Tier 1 and 2 options) and procurement of implementation partner services.
- Procurement Option 2: Direct award to SAP for an upgrade to their next generation SaaS solution and a procurement of implementation partner services.
- Procurement Option 3: Direct award to SAP for an upgrade to their next generation in-house hosted solution and a procurement of implementation partner services and required hardware.
- Procurement Option 4: Collaborative vendor neutral SaaS corporate system procurement including this council, East Sussex County Council (ESCC) and Brighton & Hove City Council (B&HCC)
- Procurement Option 5: Do nothing. A server hardware upgrade would be required in the short-term and the council would need to implement a new system prior to 2025.

16. Options 2 and 3 were discounted because they required identification of a route to market offering direct award whilst remaining compliant under the Public Contract Regulations 2015, which has not been possible. Furthermore, a lack of market competition is unlikely to deliver best value for money and mean the council is unable to fully evaluate its solution options and ensure best fit with its business and technical requirements. As an in-house solution, Option 3 also has a less flexible licencing model without the future-proofing benefits of a SaaS product. It would also require an additional procurement process to purchase upgraded hardware, which would have to be refreshed in five years' time.

17. Option 4 was discounted because the estimated economies of scale delivered through a fully collaborative procurement approach are low and will likely be eroded due to the longer timescales resulting from running a collaborative process to procure a Framework contract, the increased time required to gather requirements from all three organisations and the need to navigate multiple organisations' governance arrangements to secure decisions.

18. The recommendation is to progress Option 1, a vendor neutral SaaS corporate system procurement to enable the council to fully evaluate its solution options and to drive best value for money through market competition.

19. The Option 1 procurement will be led by the council and be informed solely by its own requirements. However, the proposed procurement process will be to run a restricted tender to let a framework contract, which this council will initially call-off from for its contract as soon as the framework is awarded. ESCC and B&HCC will be invited to be named organisations on the framework, and if it meets their requirements will be able to call-off their own contracts under this framework at a later date, avoiding the need to undertake a repeat tendering process.

20. The major activities for the tender process are included in the indicative timetable in the What Happens Next section of this report.

CONSULTATION:

21. Senior officer stakeholders have been consulted during the development of the strategic options appraisal and outline business case, including the Programme Board which comprises Directors from Finance, HR, Payroll and Procurement and IT & Digital and senior representatives from each council directorate. Team managers from in-scope corporate services were also engaged as part of the development of the Strategic Options Appraisal. The Corporate Leadership Team were consulted and approved the outline business case to be progressed for final approval at Cabinet.

RISK MANAGEMENT AND IMPLICATIONS:

22. The following risks have been identified including planned mitigating activities. Programme management will ensure that risks are owned and managed effectively on an ongoing basis by the Programme Board and other senior stakeholders as appropriate to ensure continued focus on their status and their effective mitigation.

Category	Risk Description	Mitigation Activity
Operational / Service Delivery	There is a risk of the existing server hardware failing, increasing the risk of system failure with serious consequences for the council.	Implementation of a SaaS solution removes this risk for the council. Mitigation during implementation period of new system to be managed by IT&D as part of business as usual.
	There is a risk that there will be a drop in the level of service from Business Operations for the council and other customers during the implementation and early life of the new system	Effective business change management and communication with customers to manage expectations throughout delivery of the programme
Financial	There is a risk that a move to a subscription payment model is not financially viable for the council if the required revenue budget is unavailable	Indicative capital and revenue costs to be shared with Finance at the outline business case stage. Finance Business Partner involvement to ensure early inclusion of figures in budget planning.
	There is a risk of Business Operations losing existing customers	Specification to include requirements to meet customer expectations and if

	and being unable to win new business if the existing corporate system is not replaced with a modern solution with strong digital self-service capability	possible, early implementation of payroll solution for customers
Strategic	There is a risk that there is an unclear strategic ambition for the programme, impacting the ability to gain consensus and ensure buy-in for a preferred direction of travel	Strong engagement as part of developing the options appraisal, business case & procurement with senior leadership and the impacted business stakeholders
	There is a risk that the timing & impact of the "Moving Closer to Residents" programme and wider transformation limits the capacity of the organisation to engage with this programme, impacting delivery.	Close working with the Corporate Portfolio & MCTR programme to plan implementation, aligning plans & minimising disruption to the organisation
	There is a risk that there is a capacity issue in the Business Operations team to be able to meet their required time commitment to deliver the programme.	Careful transition planning & management including backfill to free-up staff time to focus on the programme.
	There is a risk that dependencies on integration with Directorate systems are not effectively identified and included within scope, impacting the delivery of end-to-end processes with directorates and benefits realisation	Focus on ensuring all integration requirements are identified and included. Directorate representatives keep abreast of directorate initiatives status to ensure dependencies are effectively managed

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FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

23. The costs and benefits information in this outline business case are indicative only and are included in Part 2 of this report. The scope of this report is to seek a decision to progress the procurement stage of the programme only, including the following resources at a cost of £394k.

No.	Resource	Type	2019/20 Cost (£000's)	2020/21 Cost (£000's)	Total (£000's)
1	Programme Manager	External	113	64	177
2	Project Manager	Internal *	42	32	73
3	PMO Support	External	35	20	55
4	Business Requirements specification (functional & non-functional requirements)	Consultancy	43	-	43
5	Consultancy support for procurement (process, evaluation model, selection support, contract review)	Consultancy	25	20	45
Total			**258**	**136**	**394**

* Project management resource is currently being provided internally. Costs are included here as a contingency in the event that internal resource becomes unavailable.

SECTION 151 OFFICER COMMENTARY

24. The results of the procurement exercise will enable an evaluation and identification of a preferred bidder. This will enable the business case to be further developed based on robust projected costs for the preferred solution. The revised business case will inform a decision at Cabinet to approve the award of the contracts and commence implementation.

25. Any capital implementation costs required as a result of the contract award, will need to be considered by the Capital Programme Panel before the implementation can commence. Projected capital implementation costs will be reflected in the capital programme 2020-25, which will be presented to Cabinet in January 2020. Actual capital expenditure will be subject to Cabinet's approval of the revised full business case.

26. Ongoing revenue pressures as a result of this project are currently estimated in the Resources Directorate budget planning assumptions and will be updated as more robust projections become available.

27. The costs of the resources required to progress the procurement stage can be funded from within the Corporate Income & Expenditure budget envelope for 2019/20 and have been built into the budget planning assumptions for 2020/21.

LEGAL IMPLICATIONS – MONITORING OFFICER

28. The council is under an obligation in Section 3 of the Local Government Act 1999 to secure best value in all it does, specifically to "…secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." In undertaking this options analysis and

proposing to return to the market to run a competitive exercise, the council is complying with its best value obligations.

29. The Council must observe the requirements of the Public Contracts Regulations 2015 (the PCRs) concerning the procurement of services of this value, including Software as a Service (SaaS). As noted in paragraph 16 of the report, procurement options 2 and 3 would not be compliant with the PCRs. A long-term extension to the existing contract is also unlikely to be compliant. Legal Services will work with Orbis Procurement to ensure all legal duties are complied with throughout the procurement process.

30. In making this decision, Cabinet will need to be cognisant of its fiduciary duties to Surrey residents to ensure it maintains a balanced budget in the exercise of its functions.

EQUALITIES AND DIVERSITY

31. The council will be mindful of its equalities 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 in age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

32. Surrey County 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.

33. This programme includes the upgrade or replacement of the existing corporate system at the council. The Equalities Impact Assessment included in Annex A has identified potential impacts from implementing a new system for staff with disabilities. 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.

WHAT HAPPENS NEXT:

34. The table below shows an illustrative summary timeline for the proposed tender process, with a target launch date of 3rd December following approval to proceed at Programme Board and completion of all required specifications and procurement documentation.

35. Following completion of evaluation and identification of a preferred bidder this business case will be updated with a confirmed scope and costs for approval by Cabinet prior to contract award and commencing implementation.

36. Following Cabinet approval the decision to progress this procurement process will be communicated to the organisation and other interested stakeholders and the market.

Further updates will be communicated to the organisation as the procurement progresses as part of a programme communication plan.

No.	Milestone	Completion Date
1	Outline business case final approval and approval to procure	29th October 2019 (Cabinet)
2	Procurement preparation complete. Programme Board approval to publish OJEU Contract Notice	2nd December 2019
3	OJEU Contract Notice published	3rd December 2019
4	Selection Questionnaire (SQ) issued	3rd December 2019
5	SQs received from potential bidders	17th January 2020
6	Evaluation of Selection Questionnaires complete	31st January 2020
7	Invitation to Tender issued	7th February 2020
8	Tenders received	6th March 2020
9	Evaluation, moderation and identification of preferred bidder	8th May 2020
10	Contract award approved by Cabinet	23rd June 2020
11	Notification of outcome to bidders	30th June 2020
12	Contract signed	17th July 2020
13	Mobilisation starts	20th July 2020

Contact Officer:

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Consulted:

1. Corporate Leadership Team.
2. Digital Business & Insights Programme Board:
   - Director of Corporate Finance
   - Director of Procurement
   - Director of HR & Organisation Development
   - Acting Assistant Director of Business Operations
   - Chief Information Officer
   - Assistant Director Quality Relationships (Children, Families & Learning)
   - Head of Resources & Caldicott Guardian (Health, Wellbeing & Adult Social Care)
   - Director of Insights, Analytics & Intelligence (Transformation, Partnerships & Prosperity)
   - Enterprise Applications & Portfolio Manager (Transformation, Partnerships & Prosperity)
3. Team Managers from relevant impacted services including Corporate Finance, HR, Procurement and Business Operations (transactional Finance, HR, Payroll and Purchasing).

Annexes:

- Annex A – Digital Business & Insights Programme Equalities Impact Assessment.

Sources/background papers:

- Digital Business & Insights Outline Business Case
- Strategic Options Appraisal

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