



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE CABINET

WEDNESDAY 27TH MARCH 2019, AT 4.30 P.M.

COMMITTEE ROOM 2 - PARKSIDE

SUPPLEMENTARY DOCUMENTATION

The attached papers were specified as "to follow" on the Agenda previously distributed relating to the above mentioned meeting.

3a ERP System Report - to follow (Pages 1 - 4)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

21st March 2019

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ENTERPRISE RESOURCE PLANNING SYSTEM

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering
Ward(s) Affected	All
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report requests the financial requirements to progress the implementation of the Enterprise Resource Planning (ERP) system following the completion of the procurement exercise.

2. RECOMMENDATIONS

Cabinet NOTES;

- 2.1 **That the procurement exercise for the new council enterprise system has been completed and that if the project is to be progressed additional funding is required**

Cabinet RECOMMEND to Council;

- 2.2 **That additional capital receipts to the value of £207k as detailed 3.4 are approved to fund the system in 2019/20 and that the Capital Programme is updated to reflect this expenditure.**

3. KEY ISSUES

Background

- 3.1 As Members are aware approval was given in July 2018 to undertake a procurement exercise to secure a fully integrated Enterprise Resource Planning System to ensure the Council can view a more strategic, long term approach to financial management, ensure decisions are informed by accurate, real time information and enable flexible access for customers and officers. An estimate of associated costs was made at this point based on officers assessment of the systems that may be procured. Since the decision was made officers have undertaken a comprehensive procurement exercise through the Government approved G Cloud framework.
- 3.2 The G-Cloud framework is an agreement between the government and suppliers who provide cloud-based services. Buying services through frameworks provides a robust structure for procurement, ensures compliance with EU procurement rules and is generally more efficient than conducting independent procurement exercises. The G Cloud framework provides for shortlisting of appropriate suppliers to whom a detailed specification is then issued.

- 3.3 The exercise therefore involved a detailed specification being written by council officers as part of a clarification exercise, and the suppliers responding to the clarification questions asked. The specification detailed the requirements of the Council to enable a fully integrated system to be procured and undertake a transformational system redesign of the services to ensure the resulting system and processes best fit with the strategic direction, culture and demands of the Council.
- 3.4 An officer project group and board was established to undertake the procurement process. The group was cross departmental and included officers who are specialists in their field. Supplier responses were considered by the Project Board against the Council's requirements and in accordance with the framework rules. This has resulted in the selection of a preferred supplier. Members can be assured that the selection of the preferred supplier followed a robust and comprehensive procurement process as detailed above.
- 3.5 It is anticipated that modernising the systems will act as a driver for a refocusing on customer satisfaction and improved outcomes. This will also enable staff to be realigned to support the commercial activities of the Council.

Financial Implications

- 3.6 The tendering exercise undertaken has demonstrated that initial cost estimates of the system were lower than the final preferred bidder's price. The original estimate was £395k total (£198k approved per council). The preferred supplier's price is £736k total (£368k per council) therefore an additional £170k per Council) is required. In addition it is prudent to include a contingency of 10% to provide funding for unknown costs of £74k (£37k per Council). Therefore the total additional funding required is £207k (£170k + £37k) for the Council. The preferred supplier's price includes an implementation cost based on the number of days that it estimates will be required for implementation of the system. If less implementation days are used by the council than are budgeted for by the supplier then there will be a consequential reduction in implementation costs.
- 3.7 The preferred supplier's annual licence cost is based on the population of the area covered. As such, they have provided a costing including Wyre Forest, as the Council currently provides the payroll service for Wyre Forest. Associated costs will be recovered through the shared service arrangement. The annual running costs of the preferred solution are as below as well as the original business case estimates with a 3% inflationary uplift per annum for comparison:

	Year 1	Year 2	Year 3	Year 4	Total
	£	£	£	£	£
Tender annual licence cost	295,090	303,943	313,061	322,453	1,234,546
Business Case annual licence estimate	306,000	315,180	324,635	334,375	1,280,190

- 3.8 The original business case included an annual licence cost of £306k, which included Wyre Forest. This means that the preferred solution provider will reflect an annual licence cost saving when compared to initial estimated running costs.
- 3.9 The Council is using capital receipts to fund the project and therefore there are no borrowing costs or requirement to deliver a return on the system. There are a number of posts currently vacant in the finance team that may be reassigned however it is anticipated that the annual license cost of £46k would be offset by the deletion of currently vacant posts.

Legal Implications

- 3.10 A procurement exercise was undertaken for a new ERP system. This has resulted in the selection of a preferred supplier. The exercise has been concluded in accordance with the G Cloud framework and it cannot now be re-opened. If the Council does not wish to progress the project with the preferred supplier on the basis specified by the Council because the required funding is not available but still wishes to procure a new ERP system, the Council would need to conduct a new procurement exercise with a revised specification.

Service / Operational Implications

- 3.11 Moving to the new system will enable significant improvements in service delivery, both from a back office perspective and an end user viewpoint. Budget managers will be provided with their own real time dashboards so they can see their budgets and orders. This will significantly improve financial reporting timeliness and accuracy. It will also enable council customers to self-serve more and use new technologies to facilitate transactions making it easier for them to interact with the council.
- 3.12 In relation to the implementation timeline, should the additional funding be agreed it is anticipated that all elements of the system will be in place within 18 months.

Customer / Equalities and Diversity Implications

- 3.13 The new system will drive and support self-help for all users of the finance and HR services. We will co-design the future service, including the various

interfaces and portals, to ensure that they are intuitive and easy to navigate. It is anticipated that self-service becomes the most convenient approach to finance servicing for both internal and external customers to improve accessibility and realise further efficiencies

4. RISK MANAGEMENT

- 4.1 Should Members not approve the additional costs a new specification (reduced) and further procurement exercise would have to be undertaken. There are a number of risks associated with this; firstly the delay (6-12 months) which would have a significant impact on the financial management and innovation of the Council in supporting its transformational change needed to face future financial pressures. In addition there would be financial costs associated with extending current contracts which may be costly for the Council to enter into. Finally, procurement of a new system on a reduced specification may result in a system which is not fit for purpose or does not deliver all anticipated benefits and efficiencies.
- 4.2 Several departmental risks arise concerning the migration of data to a new system and the implementation of the new system which will require strong project management to ensure that the project remains on track and will deliver its anticipated benefits. These risks will be recorded in the departmental risk register which is monitored on an ongoing basis.

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