

**REPORT FOR: CABINET**

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**Date of Meeting:** 30th May 2019

**Subject:** Authority to procure and implement a cloud based Enterprise Resource Planning System

**Key Decision:** Yes  
The proposed project involves revenue and capital expenditure in excess of £500k.

**Responsible Officer:** Dawn Calvert  
Director of Finance, Resources & Commercial Directorate

**Portfolio Holder:** Adam Swersky  
Portfolio holder for Finance and Resources

**Exempt:** No

**Decision subject to Call-in:** Yes

**Wards affected:** None

**Enclosures:** None

## **Section 1 – Summary and Recommendations**

The purpose of the report is to seek cabinet approval to procure a replacement Enterprise Resource Planning (ERP) System which supports the Council's HR, Finance, Payroll, Supplier Management and Corporate Estates back office teams.

### **Recommendations:**

Cabinet is requested to:

1. Grant approval to procure a cloud based ERP system
2. Delegate authority to the Director of Finance, following consultation with the Portfolio Holder for Finance and Resources, to award the contract for a cloud based Enterprise Resource Planning System.
3. Approve the realignment of £1.5m of the existing Resources Capital Budget from 2020/21 to 2019/20 as set out in the financial implications section.

### **Reason: (For recommendations)**

The vendor of the current SAP ERP system has announced that it will not support the application post December 2025 and therefore the Council needs to procure a replacement system.

## **Section 2 – Report**

### **Introductory paragraph**

#### **Background**

SAP UK announced that after December 2025, they would no longer support their SAP Enterprise Resource Planning System (ERP) in use by the Council. Harrow commissioned a review in the third quarter of 2018 to establish the total cost of ownership of the current system and evaluate the options available for replacing the system which covers HR, Finance, Procurement and Corporate Estates.

#### **Current situation**

The SAP ERP system was installed 13 years ago and is one of Harrow's largest and complex corporate systems with approximately 2000 staff using it. Through discussions with suppliers and key system users within the Council the following drivers for change were established:

- The existing implementation is based upon legacy technology which in 2025 comes to the end of its vendor support lifecycle resulting in increased exposure to risk;
- Through our initial soft market testing suppliers have indicated that it could cost in excess of £2m to keep the current system in support until 2025. This would mean investing £2m in the current system in the short term, knowing that the Council would need to start the migration off the current system in 2023 anyway;
- The current ICT Strategy involves moving applications to cloud based services avoiding the need to retain a data centre on premise;
- There is discontent with the need to perform continuous costly maintenance on the system with no benefit other than to keep the system in support;
- Users of the system find it dated and unintuitive to use;
- The system does not meet future needs to enable agile, mobile working and improved analytics.

#### **Key Considerations**

The market research process has indicated that the on-going subscription/support charges for the new system can be covered by the existing revenue budget and that the indicative cost for migrating to a new system are expected to be approximately £4m.

Replacing the current ERP system early, i.e. in 2020 as opposed to 2023, has the following advantages and disadvantages:

## **Advantages**

- The Council avoids maintenance costs arising from the legacy system in the sum of £2m;
- Future business requirements to enable agile, mobile working and improved analytics will be met by 2020. Early access to improved functionality and enhancements that come with the new system;
- The Council avoids costs associated with moving the system into a new data centre when they move to a new building;
- The replacement systems researched are “software as a service” cloud systems which have the advantage of removing the need for costly maintenance as they are inclusive within the annual subscription charges.

## **Disadvantages**

- The Council will be working to a very aggressive timescale.
- Risks that the end of the ICT Partnership could impact the migration and support of the legacy system.

## **Options Considered**

The other option considered is to remain on the legacy system until vendor support runs out in 2025. However remaining on the legacy system after December 2020 has the following disadvantages:

- The Council will have to proceed with maintaining the legacy system at costs of £2m with no perceived benefits to the Council other than keeping the system in support;
- Future needs to enable agile, mobile working and improved analytics will not be met until 2025;
- Continued inconvenience for users of the system who find it dated, clunky and unintuitive;
- The Council will incur further costs associated with moving the system into a new data centre at the point of any move from the current Civic Centre if the system stays ‘on premise’ (costs are unknown). –

This option was discounted as it would only delay the replacement cost by a few years as the project would have to start in 2023 at the latest in order to comply with the 2025 deadline. This would result in a cost to the Council of £6m instead of £4m.

## **Staffing/workforce**

Where possible the plan is to resource the project with existing staff and backfill their posts. It was felt that this would be the best strategy as it provides development opportunities to staff and ensures knowledge is retained in-house. The current system is supported by 3<sup>rd</sup> party ICT partners whose staff work off site on multiple accounts so there would not be a need to TUPE any staff. That contract comes to an end in October 2020.

### **Data Protection Implications**

There is no change to how the Council use personal data however the data will be moved from an on-site premise to a cloud application. The business requirements for the new system will include compliance with GDPR and this will be thoroughly assessed and tested during the tender and user acceptance process.

The Council's Data Protection Officer is involved in the project and the data protection impact assessment has been completed.

### **Risk Management Implications**

**Risk included on Directorate risk register? Yes**

**Separate risk register in place? Yes**

The key risk to the Council is ensuring that they are on a fully supported system before the end of October 2020. A supported system ensures that updates are provided by the vendor to ensure the Council can meet their legislative obligations for example the implementation of new tax codes from HMRC. This creates a challenging implementation timescale of 12 months.

The mitigation to this issue would be to ensure the contract stipulates that any new supplier takes responsibly for supporting the legacy system if the project is delayed. The Council will also ensure that the project is resourced appropriately to keep within the timetable.

There is a risks that the end of the ICT Partnership could impact the migration and support of the legacy system. For this reason the timetable for migrating to new system is aligned to implement the new system before the end of the ICT Partnership and as already mentioned the new supplier will be required to support the legacy system should the timeline for implementation slip.

### **Procurement Implications**

The Council have explored various procurement strategies, and will either run a competitive procurement process using the restricted procedure or access via the Crown Commercial Services Framework RM3821 and run a mini-competition.

The procurement will commence in June 2019 and a contract will be awarded by September 2019 allowing for a 12-14 month mobilisation/transition phase.

## Legal Implications

The new Enterprise Resource Planning System will need to be procured in accordance with the Public Contract Regulations 2015 (PCRs) as its overall value exceeds the required threshold. The procurement process followed will depend upon whether the Council decide to run its own procurement process or call-off from an existing framework.

Should the Council undertake its own procurement exercise, it will be necessary to publish a contract notice in the Official Journal of the European Union (OJEU). However, this will not be necessary if calling off from the Crown Commercial Services' Framework RM3821 which is a correctly procured framework which has been established in compliance with the PCRs with Harrow Council being part of the identifiable group cited within the published OJEU notice. It will then be necessary to run the appropriate mini-competition thereafter. It is advised that officers observe a standstill period and inform any participating suppliers of the outcome of the mini-competition.

Officers are also requested to note any implications arising from the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

## Financial Implications

In terms of revenue budget implications, from the market research undertaken the indications are that moving to a new cloud based system could reduce support costs but in worst case will not exceed costs already covered from the existing revenue budget. At the point of tender award it will become clearer if there is any revenue budget saving which could be offered as a budget saving.

In terms of capital budget implications, there is provision in the existing capital programme of £4m which will cover the contract award, project resources and 3<sup>rd</sup> party IT support.

The current Capital budget is in the 2020/21 financial year. There is a requirement to bring forward £1.5m of the Capital Budget from 2020/21 into 2019/20 as the expectation is that the new system will be in place by December 2020.

## Equalities implications / Public Sector Equality Duty

**There are no Equality implications to this decision as follows.**

- You are developing a new policy, strategy, or service - No
- You are making changes that will affect front-line services - No
- You are reducing budgets, which may affect front-line services - No
- You are changing the way services are funded and this may impact the quality of the service and who can access it - No

- You are making a decision that could have a different impact on different groups of people - No
- You are making staff redundant or changing their roles - No

### Council Priorities

The Council's vision:

#### Working Together to Make a Difference for Harrow

The proposal meets the Council priorities and the Harrow ambition plan in terms of 'Be More Business Like and Business Friendly' by implementing a new and improved cloud bases system which meets all our statutory, legislative requirements and business needs.

### Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: 21 May 2019		
Name: ...Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 21 May 2019		

### Section 3 - Procurement Officer Clearance

Name: ...Lisa Taylor.....	<input checked="" type="checkbox"/>	on behalf of the * Head of Procurement
Date: 21 May 2019		

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 21 May 2019		

<b>MANDATORY</b>	
<b>Ward Councillors notified:</b>	<b>NO</b>
<b>EqlA carried out:</b>	<b>YES</b> – no implications identified as per the EQIA section of the report.
<b>EqlA cleared by:</b>	If ' <b>NO</b> ' state why an EqlA is not required for Cabinet to take a decision

## **Section 4 - Contact Details and Background Papers**

### **Contact:**

Sharon Daniels, Head of Strategic & Technical Finance Deputy S151,  
 Direct Telephone No. 020 8424 1332  
 Email: Sharon.Daniels@harrow.gov.uk.

**Background Papers: None**

<b>Call-In Waived by the Chair of Overview and Scrutiny Committee</b>	<b>YES/ NO / NOT APPLICABLE*</b>
<i>(for completion by Democratic Services staff only)</i>	<i>* Delete as appropriate        If No, set out why the decision is urgent with reference to 4b - Rule 47 of the Constitution.</i>