

| Report for: | Cabinet |
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| Date of Meeting: | 20th April 2023 |
| Subject: | Procurement of Microsoft Dynamics Finance and Operations Finance & Operations Support Partner |
| Key Decision: | Yes - key decision due to the significant impact it has on Council expenditure, potential for efficiency savings and the wide-ranging impacts on all Council services. |
| Responsible Officer: | Alex Dewsnap - Acting Corporate Director, Resources |
| Portfolio Holder: | Cllr Stephen Greek – Portfolio Holder for Performance, Communications and Customer Experience  Cllr David Ashton – Portfolio Holder for Finance and Human Resources |
| Exempt: | No, except for Appendix 2 which is exempt pursuant to paragraph 3 of Schedule 12A to the Local Government Act 1972 on the grounds that it contains information relating to the financial and business affairs of the Council and 3rd party suppliers |
| Decision subject to Call-in: | Yes |
| Wards affected: | All |
| Enclosures: | Appendix 1 – Evaluation Report (anonymised)  Exempt Appendix 2 – Evaluation Report with supplier details and pricing submissions |

| Section 1 – Summary and Recommendations |
| --- |
| This report sets out the procurement undertaken to select a preferred provider to deliver Microsoft Dynamics Application Maintenance and Implementation Support services to the Council. Recommendations: Cabinet is requested to:  1). Approve the award of a contract to the recommended provider named in Appendix 2 for Microsoft Dynamics Application Maintenance and Implementation Support for a period of up to 3 years, with an option to extend for a period of up to 1 year with effect from May 2023. Reason (for recommendations): To ensure continued support of and enhancements and improvements to Harrow Council’s Microsoft Dynamics ERP system. |

## Section 2 – Report

### Introductory paragraph

This report covers the award of an essential IT maintenance contract for the Council’s Finance, Procurement, Human Resources (HR) and Payroll systems.

### Options considered

**Creation of new in-house D365 Team before July, to negate need for an outsourced contract.**

It is not feasible to move to in-house support in the near-term. Dynamics Finance & Operations (F&O) technical skills take time to learn and are in high demand, the Council has experienced problems with recruitment and retention. A considerable injection of capacity would be needed over the coming year to address system challenges, and it would then be possible to vary scope during the life of the new contract.

**Procurement of a new contract to replace the existing Microsoft Dynamics contract with PWC.**

This is considered the preferred option as it ensures continuity of service. The contract to be awarded includes provisions to reduce the size of the contract, or to terminate the contract for convenience.

## Background

After deciding to procure a new Enterprise Resource Planning (ERP) system in 2019, Harrow Council embarked upon implementation of the Microsoft Dynamics 365 ERP system in 2020. Finance and Procurement services went live with the Microsoft Finance & Operations (F&O) solution in October 2021, HR and Payroll services went live with the separate Microsoft HR/Talent Application and third-party LOKI payroll in April 22.

The system was implemented with PwC who were appointed as Systems Integration partner for the duration of the project. To ensure service continuity the system was handed over from the project team to a PwC Application Maintenance Support (“AMS”) contract for ongoing support.

The PwC support team have since worked together with the Harrow IT department to support the system. The PwC AMS contract will expire on 3 July 2023, and a replacement outsourced contract is required. The Council have undertaken a procurement exercise using Lot 3 (Cloud Support) of the G-Cloud 13 framework contract to source a replacement provider.

The Council has worked with an established third-party ERP provider, Version1 Ltd to develop the Council’s requirements for procurement of a new AMS contract to:

* provide support for the Microsoft Dynamics 365 system
* perform a Discovery phase which will allow the partner to plan and cost a series of work packages that will result in an improvement in how Microsoft Dynamics 365 is used at the Council.

## Current situation

The current PwC AMS contract expires on 3 July 2023, there is a need to secure a replacement which will:

* Provide initial “second line” (functional) and ongoing “third line” (technical) support contiguously from the date of the current vendor’s exit.
* Make upgrades and changes to the solution as required (a backlog of required changes exists).
* Assist with a necessary combining of the Finance and Operations application with the Human Resources application to remain on a supported platform going forward.
* Up-skill the internal Dynamics 365 team.

## Why a change is needed

The existing support contract is ending and has no extension provisions. A new support partner will be well-placed to review and further develop the Harrow Dynamics365 implementation to align with current best practice for the product. This is expected also to involve removal of some historic customisations which significantly complicate maintenance, specifically the routine patching and upgrade process.

The procurement has also identified that additional capacity and capability can be sourced within the available budget, offering benefit to the Council compared to current arrangements.

## Implications of the Recommendation

### Considerations

The new vendor will:

* Complete transition of technical support responsibility from PwC prior to the end of the existing contract in July 2023;
* Provide a costed plan by August 2023 for migration from existing configuration to a “Vanilla” best-practice product configuration, including merger of HR and F&O applications;
* Provide an operational support service which meets the Service Level Agreement (SLA) requirements of the Council, and a standing capacity to deliver updates and changes;
* Provide for the initial 6 months a “Level 2” functional support service, to allow for upskilling of a new client-side functional team within the Council;
* Commit to a contract which allows for adjustment in scope and charges as the Council’s requirements and internal capacity develop over time.

**Ward Councillors’ comments**

N/A

#### Performance Issues

There are none.

#### Environmental Implications

There are none

#### Data Protection Implications

Comprehensive requirements have been included in the specification to ensure any new supplier is GDPR compliant, and robust data protection provisions will be included in the contract.

A Full Data Protection Impact Assessment (DPIA) will be carried out with the new service provider.

### Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **Yes**

The relevant risks contained in the register are attached/summarised below. **Yes**

The following key risks should be taken into account when agreeing the recommendations in this report:

| **Risk Description** | **Mitigations** | **RAG Status** |
| --- | --- | --- |
| There is a risk that priority fixes will not be completed before PwC complete their contract. | * Identifying all open items and prioritising what can be completed before PwC roll-off. * Daily management calls in order to track progress and get early visibility of any issues. * Agreed that any remaining backlog will be passed to the new provider. * Fortnightly senior management oversight meetings to escalate issues and solutions | Amber |
| There is a risk that required skills and resources for the Harrow support team will not be ready in time to receive Knowledge Transfer from PwC prior to them leaving. | * Requested new providers to provider extra support for a time of 6 months to backfill and then upskill Harrow team * Dialogue with PwC senior partners to agree the ‘best exit’ | Amber |
| Documentation might not be available to perform a proper transition. | * Early commencement of work to gather and organise documentation for the transition. * Microsoft has completed a technical code review to ensure that the scope of the system customisation is clear. | Amber |
| Selection of a technology rather than a management consulting partner may mean there is limited capacity for the business analysis/change effort needed in initial phase of contract | * Strong and senior Council governance of the initial phase of implementation * Senior IT Leadership engagement * Regular management of risk through transition project * Early and ongoing engagement with winning organisation to ensure effective governance and support arrangements * Costed plan in August to include business change requirements where relevant | Amber |

### Procurement Implications

This procurement has been conducted under the Crown Commercial Service G Cloud 13 Framework (RM 1557.13).

This route was chosen as the G Cloud 13 Framework offers a broad selection of service offerings relevant to this requirement from suppliers ranging from small and medium enterprises to large systems integrators and consultancy firms. It provides an efficient route to market which is fully compliant with the Public Contracts Regulations 2015 and the Council’s Contract Procedure Rules.

The high-level evaluation criteria used were:

Quality 75%

Price 25%

Quality consists of Technical Merit & Functional Fit (55%), After Sales

Service Management (7%), and Non-Functional (13%)

Due to the nature of the procurement and following consultation with Portfolio Holders and other key stakeholders it was deemed not appropriate to include social value and climate change as evaluation criteria, although all responding suppliers signed up to the Council’s Climate Commitment Charter as part of the process.

### Legal Implications

Legal note Procurement Comments that this procurement has been conducted compliantly under the Crown Commercial Service G Cloud 13 Framework (RM 1557.13).

The G Cloud 13 Framework is current, has been lawfully procured under The Public Contracts Regulations 2015 (PCR), and the services the Council is calling off are in scope.

Compliant call off contracts from lawfully procured framework agreements are a lawful route for the Council to procure services under both the PCR and the Council’s Contract Procedure Rules.

Legal Services can advise on completing the Cal Off contract documentation.

### Financial Implications

The total cost of the contract is set out in Confidential Appendix 2. The one-off transition and discovery phase costs in year 1 (2023/24) will be met from the IT Capital Programme in 2023/24. The cost of the application maintenance and management charges are a revenue cost and the total cost is based on a period of 3 years and 9 months. This annual cost can be met from the annual IT revenue budget.

### Equalities implications / Public Sector Equality Duty

N/A

#### Council Priorities

A council that puts residents first

Optimising the Dynamics ERP platform will help to support and further develop and enhance the Council’s Finance, Procurement, HR and Payroll services. This will significantly improve the efficiency of internal corporate operations and release capacity for more support to frontline services.

## Section 3 - Statutory Officer Clearance

**Statutory Officer: Sharon Daniels**

Signed on behalf of the Chief Financial Officer

**Date: 06/04/2023**

**Statutory Officer: Stephen Dorrian**

Signed on behalf of the Monitoring Officer

**Date: 06/04/2023**

**Chief Officer: Alex Dewsnap**

Signed off by the Acting Corporate Director

**Date: 06/04/2023**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 06/04/2023**

**Head of Internal Audit: Susan Dixson**

Signed by the Head of Internal Audit

## Date: 06/04/2023

**Has the Portfolio Holder(s) been consulted? Yes**

## Mandatory Checks

### Ward Councillors notified: NO, as it impacts on all Wards

### EqIA carried out: NO

## Section 4 - Contact Details and Background Papers

**Contact:** Ben Goward, Director of ICT, [Ben.Goward@harrow.gov.uk](mailto:Ben.Goward@harrow.gov.uk)

**Background Papers:** None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO