

<b>DECISION-MAKER:</b>	<b>CABINET</b>		
<b>SUBJECT:</b>	<b>CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS</b>		
<b>DATE OF DECISION:</b>	<b>19 DECEMBER 2017</b>		
<b>REPORT OF:</b>	<b>CABINET MEMBER FOR FINANCE</b>		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
<b>None</b>

<b>BRIEF SUMMARY</b>	
This report is to update members on the progress being made with the procurement and implementation of an Enterprise Resource Planning (ERP) system for the council, and to seek approval for changes to Capital and Revenue budgets to procure and implement additional modules.	
<b>RECOMMENDATIONS:</b>	
(i)	To note in accordance with the Financial procedure rules capital expenditure of £1.47m in 2017/18 capital programme to facilitate the purchase of additional modules from Unit 4 to enable the ERP system, as part of the capital digital transformation project. This is subject to Council Capital Board reviewing the business case to proceed.
(ii)	To approve the one-off increase in the revenue budget of £1.35M to facilitate the change process, and this to be funded from savings as a consequence of the project and the Transformation Reserve. This expenditure will be phased over 2017/18 and 2018/19 with the majority of the expenditure being in 2018/19.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	By implementing an ERP system it will enable the council to <ul style="list-style-type: none"> <li>• consolidate the number of IT applications, reducing the number of contracts and independent support and maintenance costs,</li> <li>• rationalise and streamline business processes</li> <li>• enable easier access to correct data</li> <li>• provide a single view of debt</li> <li>• provide a single view of the employee</li> <li>• support the provision of a single point of payment for the customer</li> <li>• improve management information</li> </ul>

<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	Implement a completely new system including replacement of the financial ledger. This has been rejected as the cost of acquiring and implementing a new financial ledger as well as the other ERP modules makes the cost prohibitive.
3.	Do nothing. This option has been rejected as the current systems are not fit for the future as they are cumbersome in their business processes. They do not readily provide the management information required to make informed, evidence based decisions helping managers to run the business effectively
<b>DETAIL (Including consultation carried out)</b>	
	<b>Background</b>
4.	The council currently has a number of different systems supporting key business functions. This creates complexity, cost, duplication and the requirement for manual intervention which leads to increased risk and potential policy non-conformance.
5.	<p>Across the council there is an agreed understanding that to address this properly will require a move to an Enterprise Resource Planning (ERP) solution, extending the Unit 4 modules where there is a reasonable business case to do so. The Council has been a Unit 4 customer since 2001 with a Finance and Procurement solution (Agresso). To create the ERP system the Council would look to upgrade the current Finance and Procurement modules to the most up to date version of the system, Milestone 7 (currently on Milestone 5) and procure the following additional modules</p> <ul style="list-style-type: none"> <li>• HR and Payroll</li> <li>• E-recruitment</li> <li>• Income Manager and Cash Receipting</li> <li>• Project Management</li> <li>• Corporate Reporting Management</li> </ul>
6.	<p>The final solution will be flexible enough to support future changes and capable of integrating: -</p> <ul style="list-style-type: none"> <li>• Finance – including payment, invoicing and improve experience of these tasks</li> <li>• HR – including single view of performance Management, HR analytics, and Employee Account</li> <li>• Resource planning and management – improved with clearer view of resources and workload</li> <li>• Single sign on across the Unit 4 modules for Members and employees</li> <li>• There is also a module for Asset and Estate Management that the Council would look to implement in the future.</li> </ul>
	<b>Strategic Case</b>
7.	<p>The key objectives for implementing an ERP system are</p> <ul style="list-style-type: none"> <li>• Integrated and streamlined business processes along standard system routes</li> <li>• Reduction in the number of business systems involved in managing the Councils resources of Finance, People and Assets.</li> <li>• Provision of robust and accurate organisational data and dashboards to enable efficient financial reporting and forecasting</li> <li>• Reduction in the administration of tasks and steps in current business processes</li> </ul>

	<ul style="list-style-type: none"> <li>• Improve the customer experience of payments with single view of debt</li> <li>• Systems with the same look and feel and improved user experience</li> <li>• Improved and extended self-service options.</li> <li>• More accurate view and analysis of staffing profiles and associated resources to deliver Council objectives</li> </ul>	
8.	By implementing income manager modules customer experience of payments and the ability for both staff and customers to see a single view of debt should be achievable. This will be dependent on the website being able to facilitate this.	
9.	The aim is to ensure that our managers and staff are responsible for delivering a range of processes and activities independently using self-service functionality, but with a system which is intuitive and supportive and even perhaps enjoyable to use rather than one that is perceived as a barrier to effective business processes.	
10.	The intended outcome from this project is a more engaged, more enthusiastic and better supported workforce, able to focus more on outcomes and less on process, with access to business information which allows easier decision making.	
	<b>Economic Case</b>	
11.	By implementing a single and flexible ERP solution it will allow the Council to consolidate on the number of major IT systems it currently runs, by implementing the additional modules the council will be able to replace the current HR system (Resourcelink), e-recruitment (WCN) and Income Management/Cash receipting (Civica ICON). Over the next four years the savings from the additional support and maintenance will be £663k.	
12.	During the implementation of the ERP system the council will look to rationalise and standardise all relevant business processes, further analysis of these process will need to take place.	
13.	The following highlights savings made from other local authorities using this ERP solution	
14.	<p>Wokingham Council</p> <ul style="list-style-type: none"> <li>• £2m saving in 9 months positively contributing to frontline services</li> <li>• Expected £4m annual savings by 2020</li> <li>• 24% of business process have been eliminated</li> <li>• 9% of processes now completely automated</li> </ul> <p>Wigan</p> <ul style="list-style-type: none"> <li>• Annualised Invoice Processing Savings of over £120,000</li> </ul> <p>Cotswold District Council, Cheltenham Borough Council, Forest of Dean District Council and West Oxfordshire District Council (GO Shared Services)</p> <ul style="list-style-type: none"> <li>• The shared service is expected to deliver £3.8m over 10 years by bringing together Finance, Procurement, HR and Payroll functions together with one platform.</li> <li>• With effect from April 2013 the shared service is delivering savings of £673,000 per annum, representing a return on investment of 47%.</li> </ul>	

<b>Timeline</b>																																																																																	
15.	<p>A high level time line for the implementation of the ERP system is below</p> <ul style="list-style-type: none"> <li>• Agree procurement of additional modules – 22nd December 2017</li> <li>• Start Process and configuration workshops – January 2018</li> <li>• Implement upgrade to Milestone 7 – January 2018 to March 2018</li> <li>• Corporate reporting tool (Prevaro) – (3-4 months) Jan 2018 to April 2018 this is dependent on the number of reports required</li> <li>• HR and Payroll – (6 months) April 2018 to October 2018 this includes 3 parallel payroll runs.</li> <li>• E-recruitment – (1 month) can be implement in parallel to upgrade so can implemented from April 2018 when current subscription service ends.</li> <li>• Income Manager – (6-9 months) April 2018 to December 2018</li> </ul>																																																																																
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16.	The total 4 year capital cost to procure and support the additional modules is quoted to be £1.08m.																																																																																
17.	This report informs Cabinet of capital expenditure of £1.47M identified for this project as detailed in the table below. It is proposed that this will be funded by existing council resources, specifically from the approved £3m capital budget for Digital Transformation.																																																																																
18.	It also requests approval of additional annual revenue costs, these are set out in the table below:																																																																																
19.	<table border="1"> <thead> <tr> <th rowspan="2">Item</th> <th rowspan="2">Total</th> <th colspan="2">Revenue</th> <th rowspan="2">Capital 2017/18</th> </tr> <tr> <th>One off</th> <th>Recurring</th> </tr> <tr> <th>Estimated costs</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Additional modules inc 4 yr support and licences</td> <td>1.08</td> <td></td> <td></td> <td>1.08</td> </tr> <tr> <td>Current annual maintenance fee</td> <td>0.07</td> <td></td> <td>0.07</td> <td></td> </tr> <tr> <td>Implementation</td> <td>0.58</td> <td>0.58</td> <td></td> <td></td> </tr> <tr> <td>IT infrastructure</td> <td>0.15</td> <td></td> <td>0.01</td> <td>0.14</td> </tr> <tr> <td>Additional SCC resources</td> <td>0.25</td> <td></td> <td></td> <td>0.25</td> </tr> <tr> <td>Cost to terminate existing contracts</td> <td>0.45</td> <td>0.45</td> <td></td> <td></td> </tr> <tr> <td>Contingency</td> <td>0.24</td> <td>0.24</td> <td></td> <td></td> </tr> <tr> <td><b>Total estimated costs</b></td> <td><b>2.82</b></td> <td><b>1.27</b></td> <td><b>0.08</b></td> <td><b>1.47</b></td> </tr> <tr> <td colspan="5"><b>Funded by:</b></td> </tr> <tr> <td>Council Capital Resources already assumed within the programme</td> <td>(1.47)</td> <td></td> <td></td> <td>(1.47)</td> </tr> <tr> <td>Saving from maintenance from additional systems</td> <td>(0.17)</td> <td>(0.10)</td> <td>(0.07)</td> <td></td> </tr> <tr> <td>Transformation Reserve</td> <td>(1.18)</td> <td>(1.17)</td> <td>(0.01)</td> <td></td> </tr> <tr> <td><b>Total Funding</b></td> <td><b>(2.82)</b></td> <td><b>(1.27)</b></td> <td><b>(0.08)</b></td> <td><b>(1.47)</b></td> </tr> </tbody> </table>	Item	Total	Revenue		Capital 2017/18	One off	Recurring	Estimated costs	£M	£M	£M	£M	Additional modules inc 4 yr support and licences	1.08			1.08	Current annual maintenance fee	0.07		0.07		Implementation	0.58	0.58			IT infrastructure	0.15		0.01	0.14	Additional SCC resources	0.25			0.25	Cost to terminate existing contracts	0.45	0.45			Contingency	0.24	0.24			<b>Total estimated costs</b>	<b>2.82</b>	<b>1.27</b>	<b>0.08</b>	<b>1.47</b>	<b>Funded by:</b>					Council Capital Resources already assumed within the programme	(1.47)			(1.47)	Saving from maintenance from additional systems	(0.17)	(0.10)	(0.07)		Transformation Reserve	(1.18)	(1.17)	(0.01)		<b>Total Funding</b>	<b>(2.82)</b>	<b>(1.27)</b>	<b>(0.08)</b>	<b>(1.47)</b>			
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21.	No implications at this stage.																																																																																

<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
22.	The purchase of financial management software as set out in this report is authorised by virtue of s.111 Local Government Act 1972 (power to do anything ancillary to, conducive to or calculated to facilitate the delivery of the Council's core functions) together with s.1 Localism Act 2011 (the general power of competence), subject to compliance with all relevant EU and UK procurement Rules and Contract Procedure Rules as set out below.
<b><u>Other Legal Implications:</u></b>	
23.	Under the Public Contracts Regulations 2015 (the "PCRs"), a contract may be modified without triggering the need for a procurement if the modification was provided for in the original procurement documents. Purchase of the majority of the additional Agresso modules was provided for in clear terms in the original procurement documents. The Agresso modules not provided for within the original procurement documents, cannot be obtained from an alternative supplier for economic and technical reasons and because there would be substantial duplication of costs. In circumstances where additional supplies can only be obtained from the incumbent supplier for such reasons the PCRs do not require a competitive procurement to be run, but instead allow the existing contract to be modified, provided the increase in price as a result of purchasing the additional supplies does not exceed 50% of the original contract, as is the case here.
24.	Notwithstanding the above justification for modifying the current contract, the PCRs also allow the direct purchase of supplies without a competitive procurement where competition is absent for technical reasons. The purchase of an additional system from an alternative provider to supplement the current one and to provide the required additional functionality would cause a number of avoidable and problematic technical and operational difficulties and would simply not provide the ERP that SCC requires.
25.	Additionally, the interfacing of a new system with that currently provided by Unit 4 would require the agreement and cooperation of Unit 4 and the potential granting of licences to use the Unit 4 software. SCC is not in a position to be able to guarantee that such agreement and cooperation and the provision of all necessary licences would be forthcoming. Again in such circumstances the PCRs enable the direct award of a contract without competition to the supplier holding the exclusive rights.
26.	A Data Protection Impact Assessment (DPIA) has been drafted the main outcomes from it are <ul style="list-style-type: none"> <li>• To ensure that all data in existing systems is cleansed as per the service areas retention schedules before migration into the new system</li> <li>• All modules will go through full security checks with IT to ensure that all personal data is secure and protected.</li> </ul>
<b>RISK MANAGEMENT IMPLICATIONS</b>	
27.	Key risks associated with this project will be captured in a risk log which will be actively monitored by the ERP Project Board and the Customer and Digital Board as appropriate. Main risks identified for the project are <ul style="list-style-type: none"> <li>• Transfer and migration of sensitive HR data, if this is handled in the wrong way it could lead the council to breach GDPR regulations this will be mitigated by ensuring that our supplier has an agreed and up to date data sharing agreement with the council and that all Councils policies and processes are followed.</li> </ul>

	<ul style="list-style-type: none"> <li>Inadequate change management during the implementation leading to users not accepting the new system and the changed processes this will be mitigated by developing a clear change management plan as well as a detailed communications to all staff.</li> </ul>	
<b>POLICY FRAMEWORK IMPLICATIONS</b>		
28.	<p>The recommendations in this paper support the delivery of outcomes in the Council Strategy. The proposals particularly support Council Priority Outcome</p> <ul style="list-style-type: none"> <li>A Modern Sustainable Council</li> </ul>	

<b>KEY DECISION?</b>	Yes
<b>WARDS/COMMUNITIES AFFECTED:</b>	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	Privacy Impact Assessment
2.	

**Documents In Members' Rooms**

1.	None
2.	
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	
2.	