

New financial system and ERP project- change in approach recommended

The issue

To support the behavioural and cultural change piece needed to make the step change in enabling services under the Target Operating Model, there is an opportunity to establish a seamless flow of real time information across functional processes, to utilise data more powerfully to help better plan for risk and opportunities in the 2020/21 capital programme.

Background

The 2020/21 capital programme includes Enterprise Resource Planning for an integrated rationalisation of the financial, HR and payroll business applications. The original proposal, costed at £5.898m, delivers an integrated suite of business applications with a common process and data model, covering broad and deep operational end-to-end processes and reporting, but assumed the use of Oracle Cloud. Key benefits are outlined below:

- Consolidation of Financials, HR and Payroll into a single ERP and reporting solution – streamlines support model and provides a single user experience
- Integrated reporting - improve management information and enable predictive analysis
- Opportunity to implement the Oracle PBCS (Planning and Budgeting Cloud Service) module to provide a better forecast process and modelling solution for HR/Payroll
- Total cost of ownership for SAAS Cloud ERP/applications versus current on Premises applications are expected to have a lower cost, over a 10-year period

The project design built on the known platform, rather than using an opportunity to throw wide the doors to consider which platform would best serve a transformational change in enabling services.

The case for change

As the target operating model design has progressed and thinking on how enabling services will work, it is clear that the underpinning tools need to support a step change in culture and behaviours. Freeing up resource for responsive value-added services, and agility in financial insight/advice.

The ERP is a key enabling tool that efficiently and effectively paves the way to a shared service approach to transactional finance, giving flexibility and agility in responding to the needs of different customer bases by:

- enabling tailored reporting for stakeholders;
- reducing complexity and process duplication;
- reimplementing the coding structure used by the organisation;

- supporting ownership and accountability of budget holders through streamlined and easy to use self-service functionality;
- standardising and automating processes, enabling staffing efficiencies planned under the fundamental review;
- timely, accurate and understandable financial information in the right format for decision making without the need for further analysis by accountants.
- a reduction in an IT estate as the proposed solution is cloud;
- a reduction in support and maintenance cost from support partners (i.e. Agilisys);
- a centralised support team thus reducing reliance on consultancy;
- provision of regular system upgrades that are offered every quarter for the entire solution allowing us to manage the system and allocate personnel effectively.

As we introduce the ERP system it would be a lost opportunity, if we did not pursue, and resource properly the change in behaviours needed to tackle a deeply embedded status quo; learning lessons from the Oracle upgrade and property manager- which added expensive customisations to ultimately retrofit systems to embedded ways of doing things.

There is an opportunity to leverage technology in a new system within cutting edge capabilities to enable the various operations and institutions within the Corporation to have processes and functionality that drives operational efficiency, enabling the business to make better, smarter decisions to help the whole organisation to run more effectively.

We will have to do a coding reimplementation in any case- which on previous experience will be 'bumpy' at best. We should be bolder and secure maximum benefit from the change.

Likely cost- £7.425m

The original ERP bid has increased by £1.5m due to appropriately resourcing the programme team through a mixture of internal and external resources as opposed to mainly internally resourced. Bringing together a diverse approach and strengthening the chances of delivering a first-class ERP system.

Further to discovery work carried out in 2020, and a soft market engagement (SME) exercise, the emerging from officers is that a competitive process looking across the ERP market is more likely to demonstrate better value over the lifetime of a future ERP solution. The SME process highlighted a range of costs of between £4m and £10m; with significant business change elements to drive out greater efficiency across transactional services. Given the size and complexity of the organisation we are anticipating coming in somewhere in the middle.

ERP proposal – Original £5.898m v's New Proposal £7.425m – difference £1.527m.

[The Socitm model total of £7.425m excludes Police on-board costs of 0.324m. Note Police on-boarding costs were also excluded from the original ERP project. With the

Capita contract for Police HR still valid for a further four years, it makes sense to exclude the Police on-board costs and review at a later stage with the option to implement through internal resources].

Funding proposal

Given that increases in project costs can only be accommodated with resources already approved by Resource Allocation Sub Committee, the 'one in, one out' principle, the funding proposal is set out below and accommodates the new proposal in full:

Approved bid 2020/21	£5.898m
Chamberlain's local risk 2021/22	£0.500m
Carry fwd request: forecast underspend Financial	<u>£0.157m</u>
*Underspend on Telephony Capital Programme	£0.750m
*Underspend on Essential servers	£0.055m
*Underspend on smarter working	<u>£0.065m</u>
Services 2020/21	<u>£0.870m</u>
Total	<u>£7.425m</u>

*The funding sources are underspends on other Chamberlain projects and does not impact delivery on these programmes. Funding from these projects are also shared across the three funds, in the same way as funding for the ERP project.

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February 2021