

Divisions Affected – All

CABINET
18 April 2023

A Programme for Transforming the Council's Enterprise Business Systems and Processes

Outline Business Case

Report by Corporate Director Customers and Organisational Development

RECOMMENDATION

1. **Cabinet is RECOMMENDED to**
 - a. Approve the development of detailed requirements and a full business case to review delivery options for corporate support services and underpinning technology including human resources, finance, payroll and procurement in order to deliver services more efficiently, modernise business processes and upgrade current IT systems.
 - b. Approve funding of £1.57m for programme resources to prepare requirements for a transformation and potential procurement process. This funding will be drawn from the council's transformation reserve.
 - c. Note that a further Cabinet decision to commit capital funding and progress to the next stage will be required in due course, which will be based on a full business case.

Executive Summary

2. This report presents an outline business case to transform finance, procurement, HR and payroll services and systems. These services are currently delivered in partnership with Hampshire County Council, following a decision in 2015 to move to a shared service delivery model known as the Integrated Business Centre (IBC).

3. This report seeks approval for funding of £1.57m to progress to the next stage of the programme to prepare detailed requirements for a transformation programme and potential procurement process.
4. The outline business case has been developed using indicative order-of-magnitude costs and is based on the council's high-level requirements. Following the development of detailed requirements and a review of delivery models including in-sourcing and mixed delivery options, a further report with an updated business case and recommendations, including cashable and non-cashable benefits, will be produced for cabinet approval.
5. Enterprise Resource Planning (ERP), referred to throughout this report, refers to the provision of the council's business critical finance, procurement, HR and payroll processes, including the management of all related information and resources, by means of either a fully integrated single IT system or a combination of fully integrated best-of-breed IT systems. Options to procure either a single IT system or a combination of fully integrated best-of-breed IT systems will be fully explored as part of the detailed requirements review.
6. The key priority within this programme is the transformational change required to maximise the efficiency and effectiveness of the support services. New or upgraded technology will be required to underpin and enable this change and as such this programme should be considered one of process and systems modernisation that improve efficiency and effectiveness and reduce cost, rather than the upgrading of IT systems.

Exempt Information

7. Annex 1, Outline Financial Case, is exempt as the projected outline implementation cost information relates to the business affairs of the Council and includes confidential financial information that may influence a potential future procurement process. Annex 2, ERP Programme Options Appraisal, is also exempt as it contains sensitive information relating to the business affairs of the Council which may influence the ongoing commercial relationship with Hampshire County Council.

Background

8. In 2015 the council entered into a shared service arrangement that effectively outsourced its HR, finance and procurement support including the technology infrastructure via a partnership agreement with Hampshire County Council's Integrated Business Centre (IBC), which had already been established supporting other public sector bodies.
9. The Integrated Business Centre (IBC) partnership provides back-office services to all council staff, including the Oxfordshire Fire and Rescue Service and more than 200 schools. It makes use of standardised processes, automation, and self-service. This new operating model was implemented in July 2015 at an approximate cost of £7m and it enabled the Council to reduce annual revenue costs by approximately £700k as part of plans for Council-wide savings.

10. The savings have been realised through the economies of scale achieved by sharing services with other organisations and a 'one size fits all' delivery model, with any system changes requiring agreement from all partners. However, the subsequent increased number of partners since 2015 and the shared services operating principles have resulted in a lack of agility and ability to respond to the Council's changing needs.
11. A Case for Change review was undertaken in Q4 2021/22 and was approved by the Strategic Leadership Team. The analysis identified additional opportunities and drivers for change to move from the existing shared services partnership, for example:
 - Improving accessibility of data and information to support accurate decision making.
 - Improved workflow, controls and risk management to improve efficiency and cost controls.
 - Process inefficiencies. The initial savings of £700k have not been revisited and initial work taking into account technology advances and new ways of working suggests there are further opportunities for efficiency savings in management and administrative time.
 - Ability to improve processes end-to-end and realise benefits. The 'one size fits all' operating model restricts the Council from being able to exploit the benefits of a modern ERP solution at pace.
12. The support for IBC's current technology platform will end by 2030, requiring an upgrade to the next generation system. This is tentatively planned to take place in 2027/28 and it is expected, based on indicative estimates, that additional costs will be incurred by the Council in managing the delivery of the resulting changes. As such the time is right to review the current arrangements and there is not a 'do nothing' option.

Options considered

13. Following the Case for Change exercise an Options Appraisal (see Annex 2) was completed, which explored eight different operating model options via research, engagement with IBC, and informal soft market engagement with suppliers, involving a Request for Information exercise and supplier days. Two options were shortlisted:
 - Option 1 - Back-office services remain outsourced with IBC but improving efficiency and ways of working.
 - Option 2 - Full or partial in-sourcing of back-office services and their enabling ERP technology.
14. To identify a preferred option to meet the Council's requirements, the two shortlisted options were assessed in terms of their strengths and weaknesses and scored based on their degree of alignment with the following critical success criteria:

- Self-service workflow controls – Cost Centre Manager and Manager self-service via a simple and intuitive user experience enabling compliance, effective control and risk management.
 - One source of the truth for Finance, Procurement and HR – Provides access to data and insights resulting in greater business intelligence to support better management decision making.
 - Agile system that can respond to future needs – Adaptable to changes in the Council's operating model, policy, processes, procedures and scheme of delegation.
 - Efficient and intuitive system – Reduces off-system processes and workarounds and reduces the capacity impact on managers, Finance, Procurement and HR.
15. The Options Appraisal recommended Option 2, a full or partial in-sourcing of back-office services and the enabling ERP technology.
- Option 1 was discounted due to the IBC confirming that there will be no change to the existing operating model to more closely align with the Council's needs.
 - The option to 'Do Nothing' was discounted early in the appraisal due to the issues and opportunities identified through the Case for Change analysis.
16. Different options for partial vs. full in-sourcing, including their pros and cons, will be fully investigated during the next stage of the programme.
17. It should be noted that until a full business case has been presented option 2 is the preferred option. At this stage, option 1 does not appear to offer OCC any flexibility but this will continue to be tested as part of the business case.

Vision and benefits

18. The aim of this Transformation Programme is to partially or fully replace and renew the current service model provisioned by IBC with a new full or partially in-sourced operating model. The ambition for the future is summarised by the following programme vision statement and the critical success factors listed in Paragraph 14. This vision of the future will require a transformational change to processes and ways of working and will form an important enabler of the Council's wider transformation and culture change ambitions.
- “Empowerment and accountability of the workforce through ownership and control of our data using best practice workflow self-service. Allowing the HR, finance and procurement services to focus on their key professional areas working with reliable and trusted data to inform decisions and reduce risk”.*
19. Examples of the potential benefits from implementing the new operating model, including the procurement and implementation of an enabling system, whether a fully integrated single IT system or a fully integrated combination of best-of-breed IT systems. are shown below.

Type	Benefit	Metric
Financial Benefit	Cost avoidance due to the Council leaving the shared services partnership and not contributing to the cost of the IBC SAP upgrade and management of the delivery resulting changes.	Confirmed partner contributions and change costs
Non-Financial Benefit	Self-service workflow controls improve risk management and instil confidence in processes.	Auditable self-service workflow reports, errors reduce
	Efficient and intuitive system that reduces officer time needed to engage with workarounds and time-consuming repetitive tasks.	Reduction in transaction time for managers
	One source of the truth for Finance, Procurement and HR delivers accurate business intelligence and improves management decision making.	New areas of intelligence delivered e.g. Equality data
	Increased automation of finance and HR transactional processes, creating efficiencies and freeing up resources to direct additional time to more complex and value-adding advice and support.	Reduction or elimination of transaction time for officers
	Agile way of working and system that can respond to future Council needs and is aligned to preferred processes	Reduction in time for changes to be reflected within the system/ processes
	Improved workforce experience and resilience enabled by modern and fit-for-purpose systems and processes	Wellbeing survey Employee engagement survey
	Environmental commitments from corporate ERP technology vendors including Net Zero, contributing to the Council's climate agenda.	Reduction from IBC current energy use baseline.

Scope

20. The scope of the detailed requirements review for this business transformation programme includes the following:

- Services – All transactional finance, procurement and HR and payroll services currently provided by the IBC to the Council and to Schools (Maintained and Voluntary Aided).
- Service Users – The full scope of service users of the existing IBC services and SAP system, including all Council and Schools users.
- Processes – Reviewing the current SAP licenced IBC processes including their integration, including integration with line-of-business systems. Some additional process areas, not currently provided by IBC, have been included within scope for review, for example Business Intelligence and Analytics, Fixed Assets, Capital Projects, Treasury Management and Performance Management.
- Data archiving – A solution is required for archiving existing historical Council data held in the IBC SAP system, which will not be migrated to any potential new ERP system. A solution is also required to host the copy of the Council's legacy SAP system, currently hosted by IBC, which contains the Council's legacy data which was not migrated to Hampshire's SAP system in 2015. This system is still in use by HR as a key reference.

21. Strategic procurement processes are out-of-scope including supplier management, sourcing, and contract management.

Next Steps

22. The table below shows an indicative summary timeline for the Requirements stage, with a target of November 2023 for seeking Cabinet approval to issue an Invitation to Tender, following completion of all requirements, preparations to procure and further development of the business case.
23. Following Cabinet approval, the decision to progress this requirements stage will be communicated to the organisation, as a key part of the wider Council transformation agenda, and other interested stakeholders and the market. A more detailed overview will be provided to stakeholders who are critical to delivering the outcomes of the Requirements stage. Further updates will be communicated to the organisation as the requirements stage progresses as part of the programme's communication plan.

No.	Milestone	Indicative Date
1	Outline business case final approval and approval to progress the Requirements stage.	18 April 2023
2	Requirements developed and procurement preparation complete – full business case developed.	October 2023
3	Cabinet approval to issue an Invitation to Tender and implement agreed delivery model following consideration of the business case.	November 2023

Corporate Policies and Priorities

24. Examples of how the implementation of a new operating model, including enabling technology, would contribute to the Council's nine strategic priorities are as follows:
- Improved reporting, analytics and insights will enable improved management decision making. For example, improved forecasting and decision making within social care, health or in relation to inequalities through predictive analytics combining non-financial and financial data.
 - Increased efficiency / officer time savings through improved processes, including intuitive self-service with controlled workflow and greater automation, enabling officers to allocate more time to focus on service delivery.
 - Improved workforce resilience enabled by modern and fit-for-purpose processes and systems, supporting an engaged workforce focusing on service delivery.
 - A strong contribution to the Council's climate agenda, through procuring a cloud hosted solution from a technology vendor with a corporate environmental agenda including a commitment to Net Zero.

Financial Implications

25. The projected costs in this outline business case are indicative only and are included in Annex 1 of this report. The scope of this report is to seek a decision to progress the requirements stage of the programme only, which will require the following resources at a cost of £1.57m.
26. The funding for the revenue costs in 23/24 would be met from the Transformation Reserve, with 24/25 and future years to be agreed through the Business and Budget Planning process.
27. The total capital funding required for the overall project is not yet determined and a further report and final business case will be presented to Cabinet with capital requirements for a final decision. At this stage it is estimated that costs will exceed £10m but this does not factor in identified savings and is dependent on the preferred delivery model.

Requirements Stage Resource Costs - £'000s

Item	2023/24	2024/25	Total
Programme, project management & support	247	18	
Technical architecture	56	-	
Service resources	622	58	
Requirements development consultancy	250	-	
Contingency @10%	117	8	
Total revenue costs	1,292	84	
Data preparation strategy consultancy	150	-	150
Contingency @30%	45	-	45
Total capital costs	195	-	195
Grand total	1,488	84	1,572

Comments checked by:

Ian Dyson, Assistant Director of Finance (ian.dyson@oxfordshire.gov.uk)

Legal Implications

28. At this stage there are no legal implications arising from this report other than to note that under the IBC Partnership Agreement, if a partner wishes to exit from the arrangements, not less than 13 months' notice is required to be given, which notice must expire on the 31 March in the following financial year. Where a partner withdraws, it is required to meet all reasonable costs incurred as a result of withdrawal from the Partnership / Joint Working Agreement, including redundancy costs of any staff from the joint working areas who are made redundant as a consequence of the partner's withdrawal. An estimate for potential exit costs has been included in Annex 1.

Comments checked by:

Bede Murtagh – Contracts Solicitor

Staff Implications

29. A programme team will be required to deliver the requirements stage and this will have the implications as set out below. Costs for new resources or backfill have been included within the programme costs.
- Additional finance, procurement and HR service resources to develop detailed requirements. This will comprise new roles requiring recruitment and backfill for an existing members of staff who will be heavily involved with the programme.
 - The requirements stage will require resources for programme management, procurement preparation, IT project management, technical architecture and other technical specialists.

Equality and Inclusion Implications

30. The Council will be mindful of its equalities duties under the Equality Act 2010 when developing requirements for a potential procurement with due regard to the need to eliminate discrimination in age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, sex, sexual orientation and religion or belief.
31. The requirements specification developed for the potential procurement and the contract document will stipulate that any supplier will comply with the relevant Equality and Diversity legislation. It is expected that any preferred supplier will be fully committed to equality and diversity in their service provision and will ensure compliance with all anti-discrimination legislation.
32. The Equalities Impact Assessment has identified the following potential impacts for people with protected characteristics:
- All groups with protected characteristics - Greater control for the Council in what data is recorded and how the information is monitored and analysed. This will help inform strategies and decision making for groups with protected characteristics.
 - Staff with disabilities (e.g. visual impairment) - The procurement specification will include specific requirements to ensure that any potential new system complies with the council's standards for accessibility, as stipulated by the Public Sector Bodies W3C Web Content Accessibility Guidelines 2.1 to level AA standard. The specification will also include requirements to ensure interoperability with existing software for staff with disabilities.

Sustainability Implications

33. Procurement preparations completed during the requirements stage will follow good practice and prioritise low carbon options and investments which support climate action / are consistent with the path to Net Zero. The Invitation to Tender will include a link to the Social Value Portal and reference the National TOM

