

From: Peter Oakford, Deputy Leader, Cabinet Member for Finance, Corporate and Traded Services

Lisa Gannon, Director of Technology

To: Policy and Resources Cabinet Committee – 24 May 2023

Subject: Enterprise Business Capabilities (EBC) Modernisation Update

Classification: *UNRESTRCITED report with EXEMPT Appendix A, which is not for publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

Future Pathway of Paper: For Cabinet Member Decision

Electoral Division: Countywide

Summary: The Council is in the process of assessing options to modernise its Enterprise Business Capabilities (EBC) covering finance, human resources, payroll, and procurement, including the replacement of its existing support arrangements across Rimini Street, Velocity and Azure (£997,231). This paper is intended to update the Cabinet Committee with the current progress of the EBC Program and outline the forthcoming steps in relation to decisions around progressing to award and implementation.

Recommendations: The Policy and Resources Cabinet Committee is asked to note progress and the next steps in the programme to modernise the Council's EBC.

1. Background

- 1.1 Kent County Council (KCC) is developing a significant programme to implement new software that will support the core functions of central services including finance, human resources, payroll, and procurement, as well as many supplementary services that will together deliver better ways of working and outcomes. It will lead to the replacement of many business processes and associated software applications including Oracle. Initiatives of this type are now commonly referred to as Enterprise Business Capability (EBC) programmes.
- 1.2 The current Oracle Oracle E-Business Suite (EBS) Solution in use is approx. 20 years old and is operating an old and static version of Enterprise Resource Planning (ERP). The Council has minimised its previous risk, whereby the Council's licenses for Oracle expired on 31 March 2021 through transitioning to application support with Rimini Street and migrating its Infrastructure to a Cloud vendor to provide stability and consistency of service. Oracle, in common with most technology suppliers, makes its licenses and support for older versions of its products increasingly more expensive over time and ultimately withdraws

support altogether. KCC are no longer within support and therefore have a static product version that cannot be enhanced nor take advantage of any new features that provides opportunities to introduce efficiencies.

- 1.3 Although KCC has much of the Oracle ERP functionality available to it, its use is limited, and cannot be described as a full ERP implementation. The purchase to pay process runs across several data bases, the applications do not integrate or use workflow well if at all, and basics such as a single supplier view are precluded without extensive rework. This in turn causes process inefficiency and cost for both users and systems support.
- 1.4 Cloud hosted solutions, which mimic the internet in their subscription approach to consuming software, have rapidly become the default and transferred the responsibility for much of the delivery and maintenance of the software and associated infrastructure to the service providers. Transition to Cloud, even Oracle Cloud, is a substantial undertaking. They require organisations to “adopt” standard business processes rather than “adapt” software to the model the organisation’s historic approach to aspects such as invoice processing. KCC’s on-premise example of Oracle has around one-million lines of bespoke code and software updates occur automatically under new Cloud Software-as-a-Service (SaaS).
- 1.5 It is important to reiterate that EBC and Cloud solutions are a means to an end, not the end itself, and do not by themselves make the Council a “digital business”. This programme is about KCC being more able and agile to standardise and optimise the way it works, to deliver better stakeholder experience and value.
- 1.6 Whilst EBC Programmes and their forerunners are a well-trodden path that is proven to support the delivery of stakeholder experience and value, examples of poor executions that do not deliver value and or cause substantial programme and cost overruns are common. A comprehensive and robust approach to strategy, organisational culture, change leadership, and governance that is widely understood and supported across the organisation will be integral to the success of the programme, as will the broad understanding of the benefits of the new ways of working to the Council as a whole.

2. Approach

- 2.1 This is envisaged as 2-3 year programme. It will be developed and implemented through the six classic phases typically associated with programmes of this nature as set out below¹.
 - a) Stage 1 – An Inception (or familiarisation) Phase that educates and informs the programme and the wider business of the overall approach to solution delivery. This stage has been completed.

¹ Certus solutions

- b) Stage 2 – A Discovery Phase (broken down by functional area, or a collection of related areas) used to gather information on what is important to the business. Provides context to the implementation, captures the fundamental business goals, defines the vision, objectives, goals and challenges that need to be overcome. This phase is currently in progress.
- c) Stage 3 – A Definition Phase should document the baseline configuration of the to-be system. To include the approach to data migration integration and testing among others.
- d) The use of Iterative Prototyping to validate the solution, and end-to-end process confirmation resulting in an initial “sign-off” of the target system characteristics. Results in a working system (rather than a specification) that can be tested by users.
- e) An Implementation Phase that documents the functional and technical “runbooks” that will deliver the solution. It should also confirm the detailed approach to data migration, integration, testing etc.
- f) A discrete Validation Phase which incorporates industry-standard test phases e.g. user acceptance testing alongside dry-run for example, around payroll.
- g) Transition: a robust transition strategy and cutover plan, including final reconciliation and confirmation of support arrangements.

2.2 Business milestones will be factored into the implementation plan such as financial year end, statutory reporting, salary award dates etc. Another consideration will be the sequencing of business process delivery.

2.3 The Council has successfully run an open tender Commissioning process looking at the various options available to the Council. The Council used the Back Office Software (BOS) Framework to invite all potential vendors who can potentially meet the detailed defined criteria by the functional teams across the Council. The EBC Program team received responses from four key vendors (all of whom are well known ERP Cloud providers in the market). These were Oracle, Workday, SAP and Unit 4.

2.4 The Commissioning process reviewed all responses and held a mid-bid review to address vendor questions before receiving final submissions from only one vendor – Oracle. The Commissioning process identified gaps in some of the interested parties who thereafter made the decision not to proceed further. The EBC Program is currently in discussions with Oracle with regards to its BAFO (Best and Final Offer).

3. Next steps

3.1 To support the Oracle Cloud proposal the EBC Program are, in parallel, operating a competitive tender between three identified System Implementors who will support the EBC Program in implementing and integrating the Cloud solution.

3.2 It is the intention of the EBC Program to conclude commercial discussions with Oracle and complete the assessment of the System Implementation partners to ascertain the overall costs regarding implementation. The final costs will also

include internal resource costs, external support as well as parallel running costs whilst the new Cloud platform is implemented providing the Council with the overall true total implementation budget required to proceed to the implementation phase.

- 3.3 Once commercial discussions have been finalised with Oracle, alongside the selection of a suitable Implementation partner and associated costs, the EBC Program will proceed to progress through the relevant KCC governance to reach a decision with regards to progressing to award.

4. Financial Implications

See exempt appendix A.

5. Conclusions

- 5.1 The Council is embarking on a programme over 2-3-years that will modernise its EBC covering core functions including finance, human resources, payroll, and procurement, as well as many supplementary services. This is expected to deliver better ways of working and outcomes including significant financial savings.
- 5.2 Whilst programmes of this nature are proven to be successful, they are high risk, high value, and complex, and there are lots of examples of sub-optimal value, cost and programme overruns in both the private and public sectors. Executing an ERP strategy is an ongoing stream of decisions and changes to business process and technology architecture and applications. A comprehensive and robust approach to strategy, organisational culture, change leadership, and governance that is widely understood and supported across the organisation will be integral to the success of the programme, as will the broad understanding of the benefits of the new ways of working to the Council as a whole. Cloud solutions require organisations to “adopt” standard business processes rather than “adapt” software which on its own causes major business change.
- 5.3 The respective outcomes will be a Strategic Outline Business Case followed by an Outline Business Case (OBC), with full options appraisal, cost implications and risk register, and the programme will not progress further unless these are approved. Development of the programme through to the OBC will be funded through existing revenue budgets notwithstanding opportunity cost.

6. Recommendation(s)

Recommendation(s):

The Policy and Resources Cabinet Committee is asked to note progress and the next steps in the programme to modernise the EBC.

7. Background Documents

EXEMPT Appendix A – Financial

8. Contact details

Report Author: Lisa Gannon Director of Technology Telephone: 03000 41 43 41 E-mail: lisa.gannon@kent.gov.uk	Relevant Director: Lisa Gannon Director of Technology Telephone: 03000 41 43 41 E-mail: lisa.gannon@kent.gov.uk
---	---