

From: Lisa Gannon, Director of Technology

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

Subject: 23/00063 - Enterprise Business Capabilities Modernisation

Key decision: Yes - likely to involve expenditure / savings in excess of £1m.

Classification: *UNRESTRICTED report with EXEMPT Appendix A and B, which is not for publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 - Information relating to the financial or business affairs of any particular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 has now completed a process to review all available options to modernise its Enterprise Business Capabilities (EBC) covering finance, human resources, payroll, and procurement. This update report provides details of the Full Business Case (FBC). It is recommended that KCC move to a new EBC platform, Oracle Cloud Fusion Software. This will be achieved through a multi-year implementation programme, full details and costs are in provided in the exempt Appendices A and B.

Recommendations:

The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services is asked to consider and endorse or make recommendations on the proposed decision to:

1. award a contract of 8 years for the provision of a cloud-based finance, HR, procurement and payroll service;
2. award a contract for a System Implementor Partner, to support the Enterprise Business Capabilities Programme in implementing and Integrating the Cloud solution; and
3. delegate authority to the Director of Technology in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, for the necessary contractual negotiations and authority to enter into any legal agreements to implement the above.

1. Introduction

- 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 Oracle E-Business Suite (EBS) Solution currently in use is 23 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 which has become cost prohibitive to maintain.
- 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, 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 not uncommon. 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 new ways of working to the Council as a whole.

2. Approach

- 2.1 The scope of the programme includes several distinct phases which will take us through to implementation. This is a multi-year programme and more detailed information about later stages will become clearer as we move through the earlier stages of the programme. The key phases are set out below:
 - 2.2 **Project Mobilisation.** This phase is fundamental for setting KCC up for success. During this phase we will define and agree how the project will be controlled and managed. This will include, but is not limited to governance, project controls, project reporting, risk management approach, change management approach. and project principles. This phase also allows for time to ensure we have the right resources for the start of the project.
 - 2.3 **Cloud Readiness Assessment (CRA).** This stage will run concurrent with the project mobilisation stage. The objective of the CRA is for both the KCC and our implementation partner to gain in-depth insight into how the functionality of Oracle SaaS Cloud will impact KCC's business operation. This will be done using collaborative workshops with KCC Subject Matter Experts and our implementation partner. The output from this phase will drive the details for planning the Design Phase and Business Change Phase.
 - 2.4 **Business Change.** The business change phase will run throughout the project, this will enable KCC to have a detailed understanding of the scale of change right from the beginning. Where possible, we will look to make changes in advance of the final implementation.
 - 2.5 **Data Migration.** Migration of data from legacy applications into new systems can be complex and problematic. The transformation of data is one of the major challenging and time-consuming requirements when implementing a new system. Outputs from this phase will include Data Cleansing Approach; Data Reconciliation Approach; Data Mapping documents; Data Archiving approach. This phase of the project will be planned in detail with the implementation partner during the **mobilisation** stage.
 - 2.6 **Design and Configure** This is the stage where the business and implementation partner work together, to define the principles of adopt that will anchor all decisions during the implementation and that any configurations (**not customizations**) will adhere to the adopted principles, that are needed to best fit with the designed business processes as part of the Design workshops. The work is broken down into many phases so that a more agile approach can be followed, and initial testing can start early to obtain early feedback.
 - 2.7 **Testing and Implementation.** Testing begins about halfway through the design stage and will run throughout the programme. A testing approach will be agreed during the project mobilisation phase, which will include defining the test strategy and tests (including test scripts). Where feasible Automated testing tools will be utilised to make the testing process more efficient.
3. **Operate Phase:** This phase focuses on embedding operational capability, delivering the final blueprint design, tracking, and realising the qualitative and quantitative benefits.

- 3.1 Business milestones will be factored into the implementation plan such as financial year end, statutory reporting, salary award dates etc.
- 3.2 KCC successfully ran an open tender Commissioning process looking at the various options available to the Council. KCC 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 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.
- 3.3 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. We now have a Best and Final offer from Oracle (see Exempt Financial Appendix B).
- 3.4 To support the Oracle Cloud proposal the EBC Programme ran a competitive tender between identified Implementation Partners who will support the EBC Programme in implementing and integrating the Cloud solution. The role of the implementation partner is crucial as they bring their expertise, experience, and resources necessary to deliver the project. They have in depth specialist product knowledge along with experience of many implementations. An implementation partner must have sector experience and experience of implementations in organisation of a similar scale and complexity to that of KCC.
- 3.5 The details of the selection process and recommended partner are provided in the Appendices.
- 3.6 The full implementation costs include full time resources costs, both internal and external and dual running costs. The resource requirements and associated costs were defined using a combination of factors: KCC's own experience of previous implementations and upgrades, the experience of other large councils, and advice from Gartner. These were validated with the EBC operational working group and the EBC board.
- 3.7 In order to build in contingency, we have insisted that all planning assumes a 2–3-year implementation. The expectation is that the first implementation could start at 18-months (best-case scenario). In projects of this size and complexity there will be unexpected challenges and events and it is important to be realistic of our planning and costing.

4. Financial Implications

- 4.1 See exempt Appendix B.

5. Legal Implications

- 5.1 External legal advice is being provided by Burges Salmon.
- 5.2 Contractual legal advice has been provided in relation to the Order Form for the Services called off from the BOS Framework. Procurement legal advice was also provided in relation to the contractual terms contained within the Order Form. A

copy of the legal advice has been made available to the Cabinet Member before taking the relevant decision.

- 5.3 In relation to the future programme progression, further advice will be provided in relation to the Governance Arrangements from a legal and governance perspective to continue to promote challenge, scrutiny and support agreed project outcomes.

6. Equalities implications

- 6.1 An Equality Impact Assessment (EqIA) has been completed and no further action is required.

7. Other corporate implications

- 7.1 None.

8. Governance

- 8.1 A Key Decision is required due to expenditure of more than £1m.

9. Conclusions

- 9.1 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.
- 9.2 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.
- 9.3 KCC’s EBC team fully understands the challenges of these projects and risk management and mitigation will be fundamental to its success. The risk management approach for key programme risk is detailed in the business case and will be further defined as the programme develops.

10. Recommendation(s)

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11. Background Documents

11.1 EXEMPT Appendix A – Full Business Case

11.2 EXEMPT Appendix B – Financial

11.3 Appendix C – 23/00063 Proposed Record of Decision

11.4 Appendix D – Published Equality Impact Assessment (EqIA)

12. Contact details

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