

**Wiltshire Council**

**Cabinet**

**23 July 2019**

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**Subject: Outline Business Case and Options Appraisal for the Enterprise Resource Planning System – Public Part I**

**Cabinet Member: Cllr Philip Whitehead – Leader of the Council and Cabinet Member for Finance, Procurement and Economic Development**

**Key Decision: Key**

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**Executive Summary**

1. To inform Cabinet of the options appraisal undertaken and outline business case associated with the future of delivery our HR, Finance & Procurement Enterprise Resource Planning (ERP) SAP system.
2. This is the public report and the commercially confidential information is in the part 2 report on this agenda.

**Proposal(s)**

1. Notes the status, progress and options considered for the future delivery of the Councils HR & Finance Enterprise Resource Planning (ERP) system.
2. Make a recommendation on the preferred option to be progressed

**Reason for Proposal(s)**

1. The proposal full reasons for the preferred option are set out in the private report.

**Alistair Cunningham OBE**

Executive Director, Growth, Investment and Place



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### **Purpose of Report**

1. To inform Cabinet of the options appraisal undertaken and outline business case associated with the future of delivery our HR, Finance & Procurement Enterprise Resource Planning (ERP) SAP system.
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### **Relevance to the Council's Business Plan**

The Council's Business Plan identifies 4 priorities, this report significantly contributes to the innovative and effective council priority.

### **Background**

1. The Council Plan sets out the Council's vision, outcomes and priorities for 2018-2022 with a key priority being an effective and efficient council. The Digital and IT Strategy is being implemented and sets out a clear agenda and key improvements that the Council needs to make to its technological and digital platforms with a key focus on moving all key systems to the Cloud. This includes investment in the Council's corporate HR, Procurement and Finance systems, including payroll, to deliver significant cost reductions and drive changes in business processes to improve the effectiveness of managers and employees. It is anticipated that a new ERP system will provide enhanced functionality to support self-service for managers and employees and significantly improve management information and reporting capabilities, delivering efficiencies in service delivery in HR and Finance and directorates.

## Main Considerations for the Council

1. The Council has used SAP as its ERP system to support delivery of its HR and Finance (including procurement and payroll) services since 2008. The system has been hosted by the council since inception, originally maintained and supported by its ICT partner, CGI, until this was internalized. There has been little investment in the system since the internalisation which reflects budget savings in the face of austerity.
2. The system is currently used to support a wide range of business processes associated with HR and Financial transactions, including supporting 43 separate monthly payrolls, making creditor payments in excess of £5.1m per month; completing 334,935 payment transactions annually and accounting for over 18m income transactions annually.
3. Due to the SAP ERP core functionality not fully meeting business requirements a variety of additional applications have been procured that integrate with SAP. The solution has developed over time in such a way that it's created a complex application landscape, which adds costs to the overall IT expenditure. Although most Local Authorities follow a similar path by customising and adding to the solution, the current SAP ERP solution is not being fully utilised and anomalies within the system mean that there is significant manual intervention required and management information is sub optimal.

In November 2018 Socitm Advisory Limited was commissioned by the Council to complete an OBC and identify options for the development or replacement of its existing SAP ERP system. The project has been ongoing for the last 6 months with senior officers and a large number of managers and staff from across the Council being engaged in As-Is workshops, solution demonstrations and site visits along with providing detailed information on how the council currently operates.

4. The OBC developed six alternative options which were appraised in consultation with senior officers and systems users. These were:

In the Outline Business Case, 6 options have been developed as follows:

### **Option 1 – Do Minimum**

*Due to the current SAP ECC 6.0 being out of support in 2025 this option included the costs of an implementation Programme within the next 5 years. Additional resource was also included to address SAP support resilience and disaster recovery concerns.*

### **Option 2 – Upgrade to SAP S4/Hana Cloud**

*Upgrade the current solution to SAP S4/Hana Cloud with Success Factors for HR. SAP's current upgrade offer does not include upgrading the payroll module into the Cloud.*

**Option 3 – Procure an ERP Cloud Solution**

*Go out to market to procure and implement an ERP Cloud Solution. The council's requirements would be tested in the commercial market allowing us to compare solution requirements at a detailed level. This option does not exclude the selection of SAP 4 Hana Cloud Upgrade.*

**Option 4 – Shared Platform**

*Share an ERP platform with a neighbouring Council. Cornwall Council are currently implementing Oracle Cloud and are due to Go Live in April 2020 but do not have a shared model in place.*

**Option 5 – Procure separate Best of Breed Solutions**

*Procure and implement two separate best of breed solutions which would require additional integration, business change and IT support effort to implement and maintain.*

**Option 6 – Managed Service**

*Outsource transactional services to a Managed Service, specifically the Hampshire Partnership, led by Hampshire Council. The Partnership currently provides a SAP ECC 6.0 platform, transactional services and customer service to 7 other authorities. The systems are currently not in the Cloud.*

5. The financial appraisal of the six options concluded that Option 3 has the greatest potential to deliver the benefits required of a new system in terms of its fit to the Council's overall Digital and IT strategy objectives, self-service capability, improved functionality and business process improvements, significant cultural change and delivery of significant financial savings.
6. The future direction of travel for the Council is to move to Cloud hosting solutions, where applicable. To align with the Digital and IT strategy the recommendation is that the Council procure a Cloud-hosted ERP solution using a Software as a Service (SaaS) approach, procuring the system on a subscription basis, rather than hosting the solution itself.
7. Experience of other local authorities has seen a trend over the last two years to move to Cloud-based (SaaS) solutions for their ERP requirements from former hosted systems. While there have been some examples of authorities who have adopted as 'Best of Breed' approach to replace hosted ERP solutions with separate HR and Finance systems (e.g. Worcestershire County Council and the London Borough of Barnet) these tend to have been exceptions and associated with new back-office outsourcing arrangements. A greater number of authorities have been replacing their ERP systems with new Cloud-ERP solutions, either from the same supplier or alternatives (e.g. London Boroughs of Lambeth and Croydon, Cheshire East and Cheshire West and Chester, Cornwall, Thurrock) or replacing separate systems with new cloud-ERP systems (e.g. Walsall, London Boroughs of Lewisham and Camden).
8. One significant difference with the approach to implementing Cloud-based systems experienced by other local authorities is the change of emphasis

from the design and build of systems to meet local requirements, towards the adoption of common best practice functionality and business processes built into the new systems. This places far greater focus on the support required within organisations to adapt business processes to meet systems functionality (rather than the other way around) and to ensure business readiness to adopt the new solution. The business change support associated with such programmes has been built into the OBC to ensure it provides the resources required to deliver the necessary business process changes.

9. The implementation of any new solution will require the combination of a number of key parties to ensure its success which will be the subject of a procurement exercise:
  - a. An application (or systems) provider – those companies who have developed the latest software available in the market and who offer its use for a license fee (e.g. SAP, Microsoft, Oracle).
  - b. A systems implementation partner (sometime called a Systems Integrator – SI) with specialist knowledge of the chosen solution and with the expert resources required to configure the system to meet the council's requirements.
  - c. Resources to support the business change activities required to support the changes in business processes and cultural change required to deliver the required benefits of any new system. This has become increasingly important with the advent of cloud-based solutions where there is limited ability to customise the solution to meet local needs and an increased focus on adapting local business processes to align with best practice processes built into the solutions. It is imperative that the Council 'owns' the business change process as it needs to be embedded in the culture of the organisation but it is likely that external expertise or capacity will be required to support this activity.
  - d. The implementation of any new system will require significant input from the key users within the Council to provide critical input into the design of the new system set-up, testing the new system once built to ensure that it meets the business requirements and in supporting the adoption of the system during training and post go-live.

## **Overview and Scrutiny Engagement**

This report is to be considered at the Financial Planning Task group meeting on 22 July 2019.

## **Safeguarding Implications**

None

## **Public Health Implications**

None

## **Procurement Implications**

The full procurement strategy is included in the part II report

### **Equalities Impact of the Proposal**

A high-level evaluation of the option indicates that the equalities impact of the proposed implementation of a new HR and Finance ERP system is minimal and that the specification being developed to procure a new solution will ensure that all of the latest equality duty requirements, for example, accessibility for users with specific needs, will be met.

### **Environmental and Climate Change Considerations**

None

### **Risks that may arise if the proposed decision and related work is not taken**

The private report on this agenda highlights the full risk assessment

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

The private report on this agenda highlights the full risk assessment.

### **Financial Implications**

1. The private report on this agenda provides further details of the Outline Business Case and appraisal of each of the four options, including details of existing SAP ERP running costs, estimated running costs of a new ERP system and estimated savings, subject to a detailed procurement exercise.
2. The detailed procurement exercise will provide accurate running and implementation costs of the new ERP which will then form the basis of a Full Business Case for further consideration by Cabinet if required.

### **Legal Implications**

1. The Council may rely on various duties and powers in securing the future delivery of an ERP system, including:

- The general power of competence under sections 1-6 of the Localism Act 2011 provides a wide power to the Council to do anything an individual can do, provided it is not prohibited by other legislation.
- S111 of the Local Government Act 1972 confers power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of the Council's functions.

- The Council is under a duty under Section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Workforce Implications**

The Outline Business Case included in the part 2 report sets out the high level workforce implications

### **Options Considered**

The proposal full reasons for the preferred option are set out in the private report.

### **Conclusions**

The Cabinet consider the options set out in the Outline Business case set out in part 2 report

### **Alistair Cunningham OBE**

Executive Director, Growth, Investment and Place

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### **Appendices**

None

### **Background Papers**

None