

# Brighton & Hove City Council

## Cabinet

## Agenda Item 101

**Subject:** Corporate Systems Improvement

**Date of meeting:** 14 November 2024

**Report of:** Cabinet member for Adult Social Care, Public Health & Service Transformation

**Contact Officer:** Head of Welfare, Revenues & Business Support

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**Ward(s) affected:** (All Wards);

**Key Decision:** Yes

**Reason Key:** Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

### For general release

#### 1 Purpose of Report

- 1.1 This report covers a new vision and approach to improve the council's core HR/Payroll, Financial and Purchasing systems and associated applications. These systems support the Council Plan priority to be a responsive and well-run council.
- 1.2 The report covers the substantial one-off capital investment required to develop, design and install new processes, applications and technologies to make the systems more efficient to maintain and use, and to improve data quality and accessibility to improve decision-making.
- 1.3 It also covers the re-procurement of the HR/Payroll system which is nearing the end of its current contract period. The Financial and Purchasing systems are still within contract.

#### 2 Recommendations

That Cabinet:

- 2.1 Agree the Outline Business Case for the Phase One capital investment requirement of £2.75 million from borrowing with a loan period of 10 years.
- 2.2 Agree the re-procurement of the HR/Payroll and Finance/Purchasing systems and associated modules for a maximum period of up to 5 years, including extensions, and delegate authority to the Corporate Director Corporate Services (or a successor role) to take all steps necessary to secure best value and award the contracts.
- 2.3 Agree to delegate authority to the Corporate Director Corporate Services (or a successor role) to procure other intermediary products, applications and licences during Phase One to support the improvement programme.

- 2.4 Note the expected requirement for further capital investment of £4m to £6m (at current prices) for Phase Two to fully realise the vision and that a further business case will be submitted to Cabinet for this phase of the programme.

### **3 Context and background information**

- 3.1 This report sets out a proposed change of approach to the development of the council's corporate HR, Payroll and Finance systems and the many associated systems within scope, such as Purchasing and Recruitment systems.
- 3.2 Implementing changes to major corporate systems involves both capital and revenue considerations. The development and redesign of hundreds of processes and the installation of these in new or current systems is a major undertaking involving many staff, technicians, business analysts and IT specialist support. This will almost always require substantial one-off capital investment for at least two years. The other aspect is the ongoing annual licence costs of the systems and associated applications.
- 3.3 The report therefore covers two key aspects. First, it seeks approval to re-procure the HR/Payroll system for which the current contract is due to expire in March 2025. Second, it seeks to secure capital investment for a major change programme that will improve the quality and efficiency of our systems by improving our data, automating many business processes, and ensuring the systems are easier to use and maintain.
- 3.4 The current systems, although regularly updated, have been in place for a long period of time and a review was undertaken to consider where improvements were needed and what options may be available to meet the council's information and service needs for the future. The review was considered by the former Policy & Resources Committee in July 2022 and the recommendation, at the time, was to aim for a highly integrated solution known as an Enterprise Resource Planning (ERP) system with a capital programme envelope of around £8 million. This estimated cost subsequently increased considerably to over £10 million following a period of high inflation.
- 3.5 During this period, there were many changes in the marketplace, not least the rapid emergence of AI and integration technologies, but also considerable changes (increases) in the cost envelope for different solutions, particularly cloud-based (SAAS) ERP solutions. Given these and other escalating risks, a re-evaluation commenced at the end of 2023 and a further review of options was explored to check the efficacy and alignment of the original approach to the council's evolving digital and technology strategies.
- 3.6 A revised approach has been developed that reflects the important learning from the process of developing and market-testing the specification for an ERP system, including key lessons learned from around the country and in particular from three neighbouring Sussex and Surrey county councils who have all recently experienced serious cost over-runs and implementation challenges when installing ERP systems.
- 3.7 As noted above, in recent years the marketplace has changed significantly and different products such as AI engines, PowerApps, integration technologies (APIs) and other intermediary products have emerged, and their capabilities are rapidly improving. All of these products have the ability to complement our existing

corporate systems to achieve similar benefits to an ERP system but at potentially lower overall cost and without the need to commit ('lock in') to a single product for a very long period of years. In addition, the council is evolving its wider digital, data and technology (DDaT) strategy to be more responsive and innovative as these technologies begin to prove themselves.

- 3.8 The proposed approach below is considered to represent the council's best opportunity to safely manage and de-risk systems improvement, enable responsive and well-run corporate services to support the Council Plan, and provide the platforms to take advantage of emerging technologies.

## **4 Corporate Systems Improvement Programme**

- 4.1 The corporate HR/Payroll, Finance, Purchasing and related systems, including procurement, banking, recruitment, income management and on-line payments, link to (interface) and receive data from many other systems and processes across the council including major Housing, Social Care and Revenues & Benefits systems. They are critical to the effective functioning of the council and can therefore affect its reputation with residents, customers, partners, and government departments and agencies such as HMRC.
- 4.2 These business systems are primarily used internally rather than by residents, but they are critical to the council's reputation as they are used to pay suppliers, purchase goods and services, pay staff, invoice people and businesses for fees & charges, produce the Authority's financial statements, monitor budgets, recruit staff, manage absence and many, many other critical business processes.
- 4.3 Making changes to these systems therefore requires careful consideration but, like all systems, they should be kept under review to determine if improvements are possible. In particular, it is important to take learning from the way systems have been installed or are used in other authorities and to seek to achieve better alignment with the council's development of other capabilities including Microsoft PowerBI reporting, digital forms (Mendix), AI and robotics (RPA/AI), and integration technologies (e.g. Boomi). This has resulted in a new vision and approach for developing our corporate systems as set out in Appendix 1.
- 4.4 In summary, the approach is to use separate systems that are fit for purpose ('best of breed') but to use them (re-install them) in the way they were designed to be used ('adopt not adapt') rather than tailoring them for unnecessarily complex and superfluous local requirements. The data will be cleansed and new technologies and modules will be used to link data across the systems, automate as many processes as possible, improve the ease of use of the systems and make reporting and decision-making quicker.

## **5 Implementing the Vision and Improvement Programme**

- 5.1 Implementation of the improvement programme will be a significant project involving many steps, including procurement or re-procurement of systems and modules and their installation or re-installation.

Phase One – Fundamental interventions for a strong foundation

[Capital investment requirement: £2.75 million]

Activities and capital costs are expected to include:

- i) Re-procuring time-aligned cloud service contracts for the current core HR/Payroll and Finance/Purchasing systems, initially for a time limited period of up to 5 years.
- ii) Undertaking a major project to cleanse, archive and restructure HR, Finance, and Procurement data, some of which has been unarchived since 1996.
- iii) Undertaking detailed analysis to identify key barriers to system efficiency to identify priority areas for improvement.
- iv) Removing unsupported interfaces and processes that have built up over time and are adding to maintenance costs and system recovery risks.
- v) Implementing new modules and services.
- vi) Costs will include considerable internal staff backfill, business analysts, systems technicians and specialist IT contractors.

Phase Two – Building for the future and transforming how we work

[Capital investment requirement: £4 to £6 million]

Activities and capital costs are expected to include:

- i) Developing and deploying emerging technologies and AI, learning from implementations and successes achieved across the sector;
- ii) Putting in place a Digital and AI skills development programme to 'upskill' the organisation over the programme period to maximise the use of new technologies and emerging capabilities, particularly around the use of dashboards and AI reporting capabilities;
- iii) Development of priority web-forms, automated processing (EDM) capabilities, and digital services to improve self-service capabilities and achieve a step change in the efficiency / automation of processes;
- iv) Extending licences and implementing additional system modules, PowerApps and Microsoft Tools (e.g. PowerBI, Co-pilot) to improve data reporting (building dashboards) and manipulation.
- v) Costs will include staffing and IT specialist support as in Phase One but will also include a considerable increase in these resources to implement the technologies required to link data across the systems and create an open data structure that AI can utilise to gather information and create reports.

5.2 Phase One (Foundation) is expected to require capital investment of a minimum of £2.75m and would run from early 2025 and conclude by 31 March 2027. Phase One foundation-level investment is considered critical, as not undertaking this work will leave the council with increasingly poorly maintained data, an inability to identify where developments and new technologies could have most impact, and therefore increasingly inefficient and under-used systems providing poor value for money. In addition, if migration to an alternative system or solution in future (e.g. an ERP system) is ultimately desired, this would be increasingly costly and high risk.

5.3 Additional investment and time will be needed for Phase Two to achieve the full vision of robust, open data systems that are digitally and AI enabled. This is not readily quantifiable at this stage and will be determined by the improvements, developments and acquisitions identified and proposed as part of the Phase One programme. However, further investment in the range £4m to £6m is likely to be required to fully realise the vision and provide high levels of data integration, fully enabled and highly automated digital and AI processes, and accessible ('open') and standardised data and reporting. This would put the overall financial envelope for Phase One and Two in the range £6.75m to £8.75m. This may seem significant but is considered to be a significantly lower cost alternative, particularly compared to ERP systems or other supplier collaborations, that can still achieve good outcomes.

#### Contract Renewals

5.4 Phase One includes the re-procurement of time-aligned cloud-based systems contracts for our HR/Payroll and Finance/Purchasing systems. However, the most pressing contractual consideration is that of the HR/Payroll system, MidlandHR (MHR) iTrent, which is due to expire on 31 March 2025. This system is very widely used across the country (hundreds of installations) in mid-sized to large private and public sector organisations and is considered to be a leading HR/Payroll product. Its wide userbase and success indicates that it is effective and competitively priced.

5.5 MHR iTrent therefore fits well with the new vision and approach and the company's strong userbase means it is expected to be able to adapt to and invest in the changing technology environment as the company continues to develop the product. However, even were this not the case, a new contract for this system would need to be secured to ensure continuity of service as a replacement system would take up to 2 years or more to implement. However, as the MHR product is considered a leading product for local authorities, subject to competitive pricing, a longer contract period could be appropriate and should be more attractive to the supplier. It is therefore recommended that the council seeks to secure best value through re-procurement of a new contract with MHR using a compliant government framework and procurement route. A key aspect of the contract renewal will be the inclusion of flexibility to on-board new functionality and modules later in Phase One or Two.

5.6 Similarly, the Finance/Purchasing system contract will expire in March 2026 and re-procurement of this system will be necessary during 2025. This should be time-aligned with the contract period for the HR/Payroll system if possible.

## **6 Benefits Realisation (Business Case)**

6.1 Any significant capital investment, unless it is unavoidable and is replacing a defunct or faulty asset, should be able to demonstrate cashable and non-cashable benefits for the organisation. The Outline Business Case (OBC) for the proposed Phase One financial commitment of £2.75 million is provided at Appendix 2. This is necessarily high level as there are many aspects of the business case that will need further analysis and confirmation including:

- Values for re-procured contracts, which can only be estimated based on current market information;
- Similarly, licence costs for new modules or extending the user base of AI and PowerApps will need to be updated following procurements;

- Data Sizing and scoping work is required to fully understand the resources required to cleanse and restructure data across a whole range of systems;
- The balance of resourcing between internal and external (more costly) resources is dependent on the availability of skills in-house and the ability to release capacity without impacting current business-as-usual services;
- A more detailed analysis of where savings and efficiencies will fall and the scope for cashable savings. Current assumptions are based on industry standard efficiency assumptions relative to the scale of investment planned.

6.2 The foundation-level investment is significant but should enable the cashable benefits set out in Appendix 2 to be achieved. As a minimum, these are broadly expected to match the Phase One financial commitment (i.e. loan repayments) over the period of the loan (10 years). Further cashable benefits will be possible in Phase Two but these will need to be identified and quantified through the discovery and foundation work to be undertaken in Phase One. The cashable benefits for Phase One are based on industry standard assumptions for achievable efficiencies across support functions, business support and administrative roles, and management roles (tasks).

## 7 Analysis and Consideration of Alternative Options

7.1 The re-evaluation identified other potential options for future development or replacement of the council's corporate systems. While all options below, except 'Do Nothing', can demonstrate potential benefits, they were dismissed for a wide range of reasons of which the most important are summarised below:

**Do nothing ("Keep the Lights On")** – commit to our current suppliers through renewed 'as-is' contracts and make only minimal necessary investments to maintain our current technology landscape, user experience, processes, and policies.

- Advantages – none identified
- Disadvantages – data quality, processing and services would become increasingly outmoded, inefficient and expensive to maintain. Costs would increase as more fixes and/or workarounds would need to be deployed as is increasingly the case. The move to a new system or approach at a later point in future would become exponentially more expensive with time as poorly maintained data and continued modifications (workarounds) would make for a complex and lengthy migration.

**Aim for an ERP System replacement by 2028** – go back to the market for an ERP system and implementation but extend the timelines, with a staggered rollout of new technology due to finish in 2028.

- Advantages – ERP's provide high levels of data integration with all functionality and modules being within the one common system environment. Modern ERP's are aesthetically pleasing and have common user screens and interfaces. They are cloud-based and regularly updated.
- Disadvantages – ERP's do not do everything well and therefore cannot provide a 'best of breed' offer for all elements of the system. For example, Payroll is known to be more challenging for many ERP products. Costs are very substantial and although potential benefits are potentially significant, the complexity of the installation means that ERP installations are very high risk as

seen in many, many examples across the country. In particular, the financial risk does not fit well with this authority's financial resources or risk appetite. The major scale of investment means necessarily 'locking in' to an ERP supplier for a minimum of 10 years, potentially falling behind other technologies if the ERP supplier does not continue to invest in development. This can often be the case as most ERP suppliers tend to completely replace their products periodically (e.g. SAP, Oracle), which does not allow an upgrade path.

**Prioritised Investment** – commit to current suppliers through renewed contracts but make only small, considered capital investments to achieve some improvements to the systems in priority areas.

- Advantages – minimal capital investment and resources required. May provide some benefits and could address a few problematic areas.
- Disadvantages – the narrow scope of the programme would mean that any benefits are likely to be outweighed by other aspects of the systems becoming increasingly obsolete and poorly maintained, leading to greater longer term costs of either maintenance or migration to a new system.

7.2 Following consideration of the extensive analysis across different criteria, and assessment of the financial viability of each option, an approach based on re-procuring our current, separate HR/Payroll and Finance/Purchasing systems but changing the way we install and use them, alongside bringing in new modules and other emerging technologies and capabilities, was considered to offer the best balance of benefits, risk and cost.

## **8 Community engagement and consultation**

8.1 Senior officer stakeholders from Finance, HR, Payroll, Procurement, and IT & Digital form the Programme Board and have been consulted during the re-evaluation of options as has the Corporate Leadership Team (CLT). Subject matter experts (SMEs) from in-scope corporate services were also engaged as part of the review.

## **9 Financial implications**

9.1 The report recommends the investment of £2.750m for a programme to improve and develop key Corporate Systems. The investment would be funded by borrowing, at a repayment cost of £0.339m per year for a 10-year period.

9.2 The recommendation is considered to represent the best value option for the authority within the changing technology environment and is expected to result in a range of improvements across the organisation which are expected to realise cashable savings of approximately £0.572m per annum by year four. These savings can fund the capital financing costs and the expected increase in systems costs (licences).

9.3 If approved, the financing costs of the programme will be added as a commitment to the council's Capital Financing budget and additional systems costs will be added to future service budgets. The detailed savings will be confirmed each year through the annual budget setting process to offset these commitments, but the projected savings set out in Appendix 1 will be assumed within the 4-year Medium Term Financial Plan.

- 9.4 Appendix 2 sets out the notes and assumptions built into the projected Outline Business Case. In particular, it should be noted that all figures (except current budgets, capital costs and capital financing) are illustrative best estimates. Exact contract costs and prices will not be known until re-procurements are completed. Similarly, potential savings and efficiencies will also need to be identified and allocated in detail as the programme progresses.
- 9.5 The cumulative net cashflow of the Outline Business Case indicates that the council may need to internally borrow up to a maximum of £401,800 (Year 3) from overall cash reserves. However, this sum is relatively small and would not present cashflow challenges.

Finance Officer Consulted: Haley Woollard

Date: 24/10/2024

## **10 Legal implications**

10.1 The Council is required to comply with the Public Contract Regulations 2015 in relation to the procurement and award of contracts above the threshold levels for services. Using a framework is a compliant route to market and it may be possible to directly award a contract to a supplier under a suitable framework agreement. Any procurement process commenced after 24<sup>th</sup> February 2025 will be subject to the new rules under the Procurement Act 2023 and legal input will be required to ensure that the procurement procedure complies with the new law.

10.2 The Council's Contract Standing Orders will apply to any procurement exercise.

Lawyer Consulted: Eleanor Richards

Date: 31 October 2024

## **11 Equalities implications**

11.1 Discussions with all suppliers include consideration of the ability of systems to utilise assistive technologies available within the council for people with sight impairments.

## **12 Sustainability implications**

12.1 Using cloud-based systems is expected to reduce carbon emissions as these centrally hosted database installations can service many organisations simultaneously on a reduced number of Servers. Similarly, archiving and cleansing the data held in all systems will reduce data storage capacity requirements (i.e. Servers) and reduce enquiry times (CPU processing), further reducing carbon emissions.

## **13 Social Value and procurement implications**

13.1 The procurement and re-procurement of systems and associated products and licences will normally seek to secure Best Value through the use of competitive public sector buying frameworks which suppliers will have been through a tendering process to join. However, in some circumstances 'Direct Award' can be more beneficial, particularly, if non-standard contract periods are desired. The council will need to consider all options.

13.2 Social Value in IT systems and licences is challenging as this is a highly competitive market and companies have to work at a national or even global level to be competitive and to be able to afford the very substantial investment in continuous product development. However, the companies themselves often offer valuable



apprenticeships and training programmes and many support charitable objectives or organisations.

#### **14 Health and Wellbeing Implications:**

14.1 None specifically identified.

#### **15 Conclusion**

15.1 The overall technology landscape is changing very rapidly. Procurement of and long-term commitment to a major new system or systems collaboration carries high risk in this situation as it risks buying systems that could be out of date before they are even fully implemented.

15.2 The report concludes that re-procuring current HR/Payroll and Finance/Purchasing systems but with a new set of requirements and potential new modules, alongside utilising emerging technologies and capabilities such as AI, is likely to be lower risk and lower cost but should be equally, if not more, effective as it will enable the authority to take up new capabilities and technologies as they emerge and develop over the next few years.

### **Supporting Documentation**

#### **Appendices**

Appendix 1 – Vision and Approach for improving corporate systems

Appendix 2 – Outline Business Case (Financials)

