



Resources and Governance Scrutiny Committee

Date: Thursday, 7 March 2024

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Third Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published.

Access to the Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension.

Filming and broadcast of the meeting

Meetings of the Resources and Governance Scrutiny Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Resources and Governance Scrutiny Committee

Councillors - Simcock (Chair), Andrews, Brickell, Connolly, Davies, Evans, Kilpatrick, Kirkpatrick, Lanchbury, Rowles, Stogia and Wheeler

Third Supplementary Agenda

7. **Our New Finance and HR System**

3 - 14

Report of the Deputy City Treasurer and the Director of HROD and Transformation.

This report provides an update on the work undertaken to replace the Council's legacy SAP HR and Finance system (also referred to as an Enterprise Resource Planning (ERP) system) since the previous report in June 2023, including the completion of the programme's procurement process and the evaluation and selection of a preferred bidder to provide the software and implementation partner for the design and deployment of the new system.

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

Charlotte Lynch
Tel: 0161 219 2119
Email: charlotte.lynch@manchester.gov.uk

This supplementary agenda was issued on **Monday, 4 March 2024** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension , Manchester M60 2LA

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee - 7 March 2024
Executive – 15 March 2024

Subject: Our New Finance & HR System

Report of: Deputy City Treasurer
Director of HR OD & Transformation

Summary

The Council is about to replace its legacy SAP HR and Finance system (also referred to as an Enterprise Resource Planning (ERP) system), which was implemented in 2006. The technology platform which it operates on will no longer be supported after 2027. This report provides an update on the work undertaken since our previous report on 22nd June 2023, including the completion of the programme's procurement process and the evaluation and selection of a preferred bidder to provide the software and implementation partner for the design and deployment of the new system.

Recommendations

The Committee is recommended to note the content of the report and comment/question the information presented to the Committee as appropriate.

The Executive is recommended to note the report and agree the next steps.

Wards Affected: All

<p>Environmental Impact Assessment -the impact of the issues addressed in this report on achieving the zero-carbon target for the city.</p>	<p>The previous report to this committee detailed the plans for reducing our carbon impact in areas such as printing and energy consumption, in addition to the move to a cloud-based system and the benefits that brings.</p> <p>In addition, our procurement process has allocated a weighting of 10% to carbon and environment considerations during evaluation, with the preferred bidder scoring the joint-highest marks in this area.</p>
<p>Equality, Diversity, and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments.</p>	<p>Consideration of equality, diversity and inclusion issues for Manchester residents, employees and businesses have been considered in the development and procurement of the replacement system. Our equalities groups were consulted, and feedback has been factored into the system</p>

	<p>requirements. The program team will carry out an Equality Impact Assessment (EqIA), and EDI report that will detail what steps can be taken inform the programme.</p> <p>The change management programme will take needs and experiences into account when planning organisational training on the new system.</p>
--	---

Manchester Strategy outcomes	Summary of how this report aligns to the Our Manchester Strategy/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The programme is closely aligned with the ICT & Digital Strategy which is designed to strengthen the deliveries of the priorities in the Council's digital plan.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	The new Finance and HR system will enable to us further improve our employee brand and our recruitment offer to make sure we are attracting and developing diverse talent in the organisation.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	User self-serve modern technology will support best use of resources and enhance data quality for decision making around organisational finances and workforce deployments including supporting MCC to forecast the roles we will need to deliver services for our residents.
A liveable and low carbon city: a destination of choice to live, visit, work	The project will support ICTs ongoing commitment to Cloud-first environments and the reduction in carbon emissions that they bring. This will include reducing our reliance on paper and printing where possible. A focus on Zero Carbon formed 10% of the valuation criteria during procurement. The selected preferred bidder scored the joint-highest score in this area.
A connected city: world class infrastructure and connectivity to drive growth	The new system will enable our HR and Finance functions to deliver digitally, supporting Manchester's ambition of being a digital leader.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no direct capital consequences arising specifically from this report.

Financial Consequences – Capital

There are no direct capital consequences arising specifically from this report.

Contact Officers:

Name: Tom Wilkinson
 Position: Deputy City Treasurer
 Telephone: 07714 769347
 E-mail: tom.wilkinson@manchester.gov.uk

Name: Mark Bennett
 Position: Director of HROD & Transformation
 Telephone: 07908 259971
 E-mail: mark.bennett@manchester.gov.uk

Name: Christine Mullins
 Position: Directorate Finance Lead
 Telephone: 0161 219 6438
 E-mail: Christine.mullins@manchester.gov.uk

Name: Amy Powe
 Position: HROD & T Change Programme Manager
 Telephone: 0161 234 1041
 E-mail: amy.powe@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Key Decision – Approval of the decision to select a preferred bidder was granted by the City Treasurer on 7 February 2024 and approved by the Programme Board
- Capital Programme Monitoring P4 2023/24 – Changes to the revenue budget of the programme over the next four financial years was requested and approved – Council 4 October 2023.
- Resources and Governance Scrutiny Report, Our New Finance & HR System – 22 June 2023.

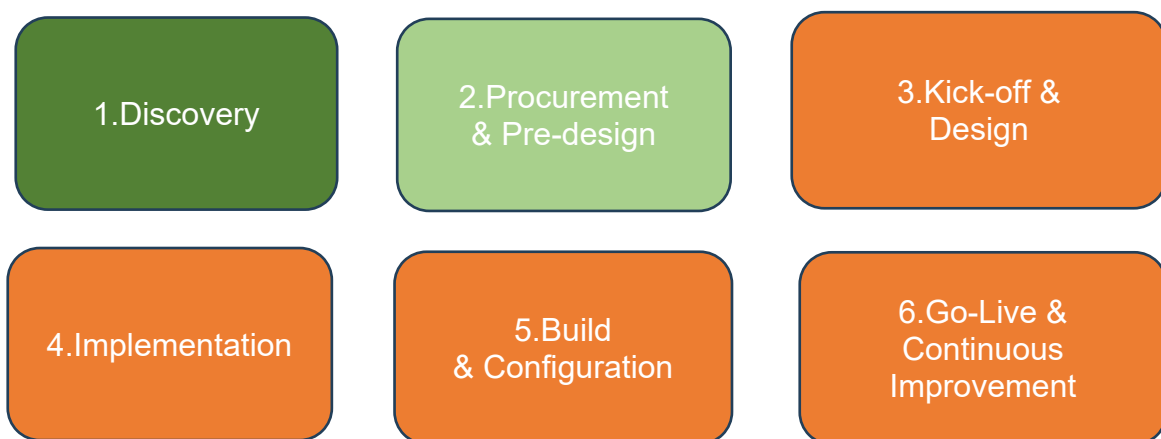
1.0 Background

- 1.1 The current SAP finance, HR and payroll system (also referred to as an Enterprise Resourcing Planning (ERP) System) was implemented in 2006, however, support for the system platform will be withdrawn by 2027. This legacy system has been heavily be-spoked, making development and upgrades both expensive and time consuming.
- 1.2 In advance of this a period of discovery and soft market testing was undertaken to inform the Council's approach to replacement and programme approach. Following this initial work, on 4 May 2022, £1.425m funding was approved to commence with the establishing a programme team to scope and procure the programme. The implementation of a new system presents an opportunity to upgrade not just the organisation's software, but also the manually intensive ways of working in place alongside the current system.
- 1.3 A report to scrutiny on 22 June 2023 outlined the deployment of the £1.425m budget which included the establishment of the programme team and the programme governance arrangements that would undertake the Discovery, Pre-design work, procurement, evaluation, and selection of a new supplier.

2.0 Programme Approach

- 2.1 As part of this the programme's vision was developed and represents the aspiration to operate a modern, cloud-based system that enabled a redesign of the way the Council interacts with its core finance and HR system. This will involve getting the basics right around system structure, data, and design to enable the operational digital transformation. This will streamline processes and enable wholesale channel shift for most processes and transactions, reducing the need for the majority of manual task completion to focus on value added, business focussed advice through the implementation of a strong change management plan.
- 2.2 The programme aligns to the Council's overall ICT and Digital strategy through the programme's four key themes: Digitisation, Data, People & Digital Strategy.
- 2.3 A Business Change and Change Management Strategy has been developed with current work being focussed on communicating the change with the wider organisation, alongside the reasons for the move to a new system. As work within the programme develops and the design of the new system is taken into consideration, a full-scale training and communications strategy will aid in supporting all end-users, with ongoing work identifying the affected stakeholders and the considerations for training and communicating across them.
- 2.4 This work informed the Outline Business Case for the full replacement and purchase of a new system which was approved in October 2023.

- 2.5 The Discovery and Pre-design work has also involved a number of lessons learned sessions with other organisations who have undertaken similar implementations, and this work continues to inform and advise the programme's operation. The overarching strategy will follow an 'Adopt not Adapt' approach, with the Council adopting and changing its systems and processes to the way that the system is designed to operate, which will avoid any be-spoking of the new system and the associated costly upgrades.
- 2.6 The pre-development phase has also been vital to prepare the organisation for the significant changes brought about with the introduction of the new Finance and HR system, which will remain a priority for the programme as it progresses into the implementation phase.
- 2.7 The programme has six key stages outlined in the previous report (indicated below for reference), with our current position transitioning from Stage 2 (Procurement and Pre-Design) to Stage 3 (Kick-off and design). Following the decision to select a preferred bidder during procurement, the onboarding of the identified bidder and their implementation team into the programme begins our move into Stage 3.



2.8 The Programme has followed a robust due diligence, standardised and moderated evaluation as well as benchmarking which has reflected in the positive outcomes achieved in terms of the bidder engagement, optimal costing/price proposals when benchmarked against external market intelligence.

3.0 Procurement process

- 3.1 Prior to the commencement of the Procurement, MCC team undertook an extensive discovery exercise internally to understand the key requirements, Issues and challenges faced by the Council. This helped us to inform the scope of the procurement as well as define key specifications for Finance, HR and P2P processes, which were shared with bidders during the procurement process and have played key part in the evaluation exercise.
- 3.2 Since the procurement was happening 16-17 years after the last system was bought, to help with better engagement, as well as understanding the latest market landscape. The Council conducted a soft market testing exercise with

prospective software providers, which provided the teams with fresh perspective around cloud solutions. Soft Market testing is strongly recommended as a best practice for this kind of Procurement.

- 3.3 The procurement exercise was supported by STAR procurement as a Competitive Procedure with Negotiation. MCC's Evaluation Panel was supported by a strong cross-functional advisory panel, consulted by a Steering Group. All the procurement stages followed a rigorous evaluation, moderation, due diligence and governance with final ratification and approval by Programme Board Consisting of the programme's SRO's and the Executive Member for Finance and Resources.
- 3.4 In addition to the above there was a strong collaboration with other Local Authorities as well as commercial organisations who are either ahead, or on similar journey to replace their systems. Valuable lessons were learned which we intend to incorporate in the future phases of the programme.
- 3.5 Our procurement process consisted of the following stages:
- a) Request to Participate
 - b) Invitation to Tender
 - c) Negotiation
 - d) Final Tender
 - e) Contract Award

Request to participate.

- 3.6 Our Request to participate stage asked interested parties to submit several case studies, referees and written responses on questions related to their previous work conducted in similar programmes. We received 16 submissions from interested parties, representing a wide range of technologies and implementation partners supporting them.
- 3.7 Out of a total weighting of 100%, this was split into 70% Technical Experience and Capacity, 20% Social Value, and 10% Carbon Considerations. All criteria and questions considered the experience and capability of the Applicants in the relevant areas.
- 3.8 Our evaluation team scored the submissions separately according to this methodology, before coming together in moderation meetings to discuss an overall set of scores for each submission, agreed by the whole evaluation team.
- 3.9 Seven applicants were selected to move onto the next stage, following due diligence checks conducted by STAR procurement and the Council's finance colleagues.

Invitation to Tender

- 3.10 The seven shortlisted suppliers were invited to submit a bid in the Invitation to tender stage. This bid asked each of the suppliers to self-certify their ability to

meet the requirements set out by the Council, with additional written responses requested on what bidders were intending to deliver to the Council. Five bids were received by the closure of the deadline for submission.

- 3.11 Out of a total weighting of 100%, this was split into 20% Price, 50% Quality – Technical, 20% Social Value, and 10% Carbon & Environment Considerations. Our evaluators scored according to this methodology for each of the submitted bids.
- 3.12 An additional scored exercise of platform walkthrough was conducted during the Invitation to Tender Stage. This included a demonstration of the proposed platform by the implementation partner. An advisory panel of circa 60 colleagues from the Council were invited to join and feedback their views via a survey circulated by the programme team.
- 3.13 Following the evaluation of each of the bids, moderation meetings were held to determine a final set of scores for each applicant, agreed by the whole evaluation team.
- 3.14 Three applicants were shortlisted to move into negotiations following the result of the evaluations of the Invitation to Tender submissions.

Negotiations

- 3.15 The three applicants identified for the Invitation to tender stage were invited to a set of negotiation meetings to discuss their submissions in more detail, including the commercials and licensing within each submission.
- 3.16 The evaluation team determined that it would be able to receive at least one bid that met MCC' needs and concluded negotiations with all bidders. It was recommended to continue to the next stage and invite final tenders from all three bidders in accordance with the Instructions. There were some minor changes made to the Invitation to Tender pack along with some of the questions for this stage to clarify requirement.

Final tender

- 3.17 The three shortlisted bidders were invited to submit final tender submissions to the evaluation team. These were resubmissions of the original bids with additional information from negotiations resulting in changes to areas of each bid.
- 3.18 Following the submission of the three final tender bids, the evaluation team scored each bidders response in accordance with the scoring methodology set out during the Invitation to Tender stage. It should be noted that the Platform Walkthrough were not reconducted for this stage of the process.
- 3.19 Moderation meetings were held, with the evaluation team agreeing a final set of scores for each of the submitted bids.

Contract award

- 3.20 Following the ratification of the evaluation results of the final tender, a report was prepared outlining the scores and the process conducted to reach the scoring decisions.
- 3.21 The reports were taken through the programme's internal governance structures, with final sign-off from the programme board.
- 3.22 Consultation with the programme SROs and executive members on the decision to procure was conducted prior to the publication of the D3 Key Decision Document to award the contract.
- 3.23 Legal team was consulted for all the stages of the procurement process.
- 3.24 Following the 5-day standstill period, applicants were notified as to their successful or unsuccessful submissions. This notification then began a 10-day standstill period where challenges were able to be submitted by unsuccessful applicants.
- 3.25 Additional clarifications from bidders were sought prior to the initial 10-day standstill deadline, meaning a further new standstill period was issued while these clarifications were addressed.

4.0 Selection of the Preferred Bidder

- 4.1 Due to the ongoing standstill period, details of the preferred bidder are not publicly available. It is expected that the stand still period will end on 11th March 2024(Subject to any challenges) when the preferred bidder will be announced.

5.0 Business case

- 5.1 As detailed in section 1, funding for the first phase of the programme was approved on May 2022, with £1.425m allocated for the preparation work of the programme.
- 5.2 Following the decision to procure a new system, a business case was developed that would take the programme into its next stages of development.
- 5.3 The business case requested an implementation budget of £17.4m, spread across four financial years, to cover the implementation period of the programme. This work includes the procurement and cost of the new system, the cost of licensing, implementation, change management and post-live support. This increase in budget is to be funded from the ICT Investment reserve and £2m per year increase budget for on-going subscriptions, licence and running costs.

	Total £m
Total Implementation Costs	18.79
Less funding already approved	(1.43)
ICT Investment Reserve	(11.36)
Revenue Funding	(6.00)
Total Funding	(18.79)

- 5.4 The business case was submitted in July 2023 and went through the capital approval cycle alongside the procurement work of the programme. The decision to approve the business case was given in the Council meeting on 4 October 2023.
- 5.5 The cost of the procurement of the preferred system and implementation partner chosen in February 2024 is within the budget envelope approved in October 2023.
- 5.6 While the business case covers the work of the programme and implementation of the new system over the next four financial years, it is worth noting that expectations for the costings of the programme are that the programme budget will have to remain flexible over its lifetime. Experience from other government bodies who have undergone similar exercises have shown that the cost of licensing, implementation and other elements of the programme can vary as the new system is designed and implemented.
- 5.7 The new system will be cloud based with a subscription license model that will need to be managed differently to the current system. There are variable factors such as the number and types of licences as well as the volume of storage required that will affect the budget required. As such, careful monitoring and some flexibility with the on-going revenue required will be needed.
- 5.8 A significant amount of work has gone into the pre-design and discovery work of this programme to identify the needs and requirements of the organisation as it moves to a new system. For a programme of this nature there are risks that additional needs and requirements may fall into the scope of the programme, these will be identified and closely controlled as work continues. If further requirements are identified a further business case may be required if additional budget is required beyond contingency.
- 5.9 The procurement and evaluation teams have spent a large portion of their work focussing on due diligence and expectation alignment with the preferred bidder and their proposed solution. This helps to ensure that the solution proposed by our preferred bidder matches the programme's requirements and expectations. This work has reduced the risk of additional costs being identified, although the risk will remain during the lifetime of the programme.
- 5.10 A review and update to the business case has taken place and a further review will be needed as the contract is finalised and the mobilisation plan is

agreed. It is expected to have clarity on any changes by June 2024, to enable the programme team to address the potential risk of any cost increases.

6.0 Programme Governance

- 6.1 A programme board was established in October 2022 following the approval of the phase 1 funding. The membership consists of:

Deputy Chief Executive and City Treasurer
 Deputy City Treasurer
 Director of HROD&T
 Director of ICT
 Assistant Chief Executive
 Executive Member for Finance and Resources
 Programme Director
 Assistant Director for Early Help
 Head of Integrated Commissioning and Procurement

- 6.2 Board composition will change over coming month, as Deputy Chief Executive And City Treasurer will be leaving the organisation to take up a new role, Current Deputy City Treasurer will step into the role of City Treasurer and will continue to lead the programme, with a need to strengthen the current Finance team structure.
- 6.3 The board meets monthly to consider resourcing, procurement, and programme performance. There are several cross-functional and dedicated workstreams that feed into the board. They have been designed to prepare Finance, HR, ICT as well as the entire organisation for the change to the new system and have focused on system design; process improvements, development of the target operating models, as well as supporting the procurement and evaluation process.
- 6.4 As the implementation phase commences, there will be a number of dedicated workstreams that will focus on the key aspects of the system functionality, design, configuration and cutover. The programme board will continue to meet monthly to ensure that the programme remains on track and ensure the key principle of adopt not adapt is adhered to, and the systems is implemented as designed, and benefits realised.
- 6.5 In addition to the Programme Board, additional external assurance around programme planning, preparation, and implementation from Gartner, an external consultancy, was sought, who have sense checked the business cases, programme plans and approach. This builds upon the due diligence and lessons learned exercises that have been undertaken with other Councils who are ahead of Manchester on the implementation journey.
- 6.6 The dedicated programme team consists of members drawn from Finance, HR and ICT functions within MCC as well as few external specialists in Data, SAP and Business Analysis domain who have collaborated and worked closely during Discovery as well as Procurement & Pre-design phases. This team was

supported by MCC's Legal, Procurement and Internal Comms teams as appropriate. The team size was optimised to ensure minimal spend during the early phases. The dedicated team is being expanded further now to bring in Subject Matter Experts in business domains, Change Specialists, Testing and Data experts to cater to the needs of the next phases of the programme. Appropriate resourcing is a key for successful implementation of any project of similar nature and was mentioned by all the Local authorities who have embarked on this journey.

7.0 Next Steps & Timeline

- 7.1 Following the decision to select a preferred bidder, the programme has entered a period of contract finalisation with the preferred bidder, whereby an Executive Kick-off is planned between the preferred bidder's team and MCC, to start our engagement on a collaborative note. Once the contract is sealed, the onboarding and mobilisation of our new partners as well as the additional internal resources into the programme will begin, and the programme will move into its 'design' phase.
- 7.2 Work to align the current programme plan with the suggested programme plan of our preferred bidder has begun. This allows the programme to adopt the ways of working of the implementation partner, while also ensuring the pre-design work already created by the programme is aligned with our implementation partner's own timeline and expectations.
- 7.3 The go-live date of the new system is still expected to coincide with the beginning of the new financial year in April 2025 but will be subject to confirmation and joint planning with the preferred bidder's programme team during the design phase. The option of a phased go-live approach is being explored by the programme to ensure core services are prioritised for this go-live date and would remain unaffected by any timeline-related risks to the programme.

8.0 Recommendations

- 8.1 The Committee is recommended to note the content of the report and endorse the procurement approach as well as comment / question the information presented to the Committee as appropriate.
- 8.2 The Executive is recommended to note the report and agree the next steps.

This page is intentionally left blank