

**Manchester City Council
Report for Information (PART A)**

Report to: Resources and Governance Scrutiny Committee – 18 July 2024

Subject: Our New Finance & HR System (**PART A**)

Report of: City Treasurer
Director of HR OD & Transformation

Summary

The Council is in the process of replacing 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 7 March 2024, including an update on the current contractual position and immediate next steps.

Recommendations

The Committee is recommended to note the content of the report.

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 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>

	The change management programme will take needs and experiences into account when planning organisational training on the new system.
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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 revenue 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: 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: Chief Accountant
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.
- approved – Council 4 October 2023.
- Resources and Governance Scrutiny Report, Our New Finance & HR System – 7 March 2024.

1.0 Background

- 1.1 In 2022 it was reported that the Council needed 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. Due to significant adaptations instigated by the Council during implementation of the current system, it was recommended that the Council embarked on procuring a replacement system.
- 1.2 In March 2024, the programme team reported to this committee to confirm that a preferred bidder had been chosen but due to the procurement standstill period the preferred bidder could not be named. At the Executive Meeting on the 15 March 2024 the preferred bidder was announced as HCL Tech, and they would be implementing S/4Hana for Finance and Success Factors for HR with SAP RISE as the platform.
- 1.3 Since then, the team has been working on the programme phasing, governance, risk assessment, resource review and the commercial contract finalisation, on which further details are included in Part B of this report.

2.0 Programme Approach

- 2.1 HCL Tech have indicated that they will use the Activate+ Methodology to manage the delivery of the project. This is a SAP structured methodology to ensure a smoother transition from SAP legacy systems to new cloud-based solution. The benefits are a more streamlined implementation process, aimed at reducing to deliver successful implementation.
- 2.2 The stages in Activate+ are: Discover, Design, Deliver and Deploy. Following contract signature the project will move into the planning of the activities that will take place within each of these stages which will identify the key milestones.
- 2.3 The Discover stage will include making some strategic decisions that will be critical to the project including defining the project governance between the four involved parties (Manchester City Council, SAP, HCL Tech and a data migration specialist), provision of the development and test systems to the Council and documentation of the project goals and objectives including the identification of the likely dependences and potential risks.
- 2.4 The Design stage is then expected to commence in the Autumn with the delivery of the Fit to Standard workshops. These workshops will look in depth at the functionality of the system and how this can be used to meet the requirements the council documented in procurement, with the Council embracing the adopt not adapt approach.
- 2.5 Following this the programme will move into the Deliver phase where HCL Tech will build the solution using an agile and iterative approach ensuring that the Council is actively consulted through system walkthroughs, the sharing of

mock ups to validate or correct any assumptions that have been made as part of the build. Throughout this phase, system integrations will be developed. Sign off by the Council will be needed throughout this period, as will approval of any changes to the specification agreed on by all parties.

- 2.6 The final phase is Deploy, where the business readiness testing is undertaken along with end-user training ahead of the system going live. This will also include the 'cutover' to the new system and final migration of the data.

3.0 Progression of the Contract documents

- 3.1 Contracts of these nature need fine balance between timeliness and risk assessment due to the nature and newness of these cloud based, software as a service (SaaS) contracts for the council. The Council has been working closely with HCL Tech and SAP on the contract document and evaluating final clauses before concluding them.

- 3.2 The contracts consist of several documents including the:

- MCC Standard Contract for System Implementation. – This is the main contract between the suppliers and the council
- HCL Statement of Works. – This is a HCL document that outlines in more detail what work is covered by the contract
- HCL Contract Price and Resource Documentation. – This document outlines the price that will be charged and what resources are planned by the supplier to engage on the contract.
- HCL Plan on a Page (PoaP). – This provides a high-level plan of timescale for the work to be carried out.
- HCL Support Documentation (will be finalised outside of timescales).
- Data Migration Specialist organisation - Rough Order of Magnitude (ROM) - estimate for data migration and cleansing.
- SAP Bill of Materials for software licensing. – This outlines the software modules purchased and the pricing.
- SAP Order Form. – This is the order form that will be submitted once all the contract documents are agreed.
- SAP Terms and Conditions. – These are SAP terms of the contract that will form part of the overarching contract.

- 3.3 Further details in relation to contract discussions are outlined in the Part B report to this committee due to the commercial nature of the documents.

- 3.4 All proposed changes to the programme implementation approach and impacts have been discussed and approved by the Our Finance and HRODT Replacement systems board.

4.0 Implementation Costs

- 4.1 Despite the additional planning, phasing, and changes to implementation plan with the preferred system and implementation partner, the programme

remains within the approved budget. Part B to this report provides more detailed information.

5.0 Programme Team Readiness

- 5.1 The Council has ensured a core dedicated team has been in place since the decision was taken to replace the SAP system. This team has developed the specification and supported the procurement process and contractual negotiations. Whilst the contract documentation is being worked through, the programme teams in HR, Finance and ICT have been undertaking research to learn more about the system functionality to ensure we are in the best possible position for starting the next phase of the project which will be Kick off and Design.
- 5.2 This has involved becoming a more active participant in the SAP User Groups and expanding our network across other similar organisations who either already have implemented these systems or are in the process of implementing. These calls are giving our Programme Team useful context and valuable insight into the design phase and the roles they will need to play.
- 5.3 As part of these conversations with other Local Authorities, the Programme Team has established working groups where learning is shared. One of the areas of focus for this is the behaviour change as this is an area that is highlighted as a key priority for these programmes. The project has part funded the creation of a new Behaviour Change team which is sitting with the Organisational Development and Transformation team in HROD&T. This team is working on understanding the workforce's appetite for change across the full scope of Directorates in the Council and understanding the elements of the system that will have an impact on the way people work.
- 5.4 An area of risk for programmes like this relates to data migration. Last month, a recommendation was taken to the programme board to procure a specialist data migration organisation. This organisation will support the Council to develop a data archival solution for the data that will not be migrated but needs to be retained for legal reasons, and the actual data migration to the new system. The company will undertake a full review of our data and support with the data cleanse work that will be required ahead of any migration to the new system.

6.0 Next Steps & Timeline

- 6.1 The programme has entered a period of contract finalisation with the preferred system implementor and platform provider. The aspirational deliverables are shown below:

Deliverables	Date
HCL and SAP contracts signed	July 2024
Data migration specialist contract signed	August 2024
SAP MCC starter system live	August 2024
HCL onboarding	August 2024

Fit for standard workshop planning	ongoing
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7.0 Recommendations

- 7.1 The Committee is recommended to note the update of business, progress of programme and the overall updates.