

BIRMINGHAM CITY COUNCIL

RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

THURSDAY, 08 APRIL 2021 AT 14:00 HOURS
IN ON-LINE MEETING, MICROSOFT TEAMS

A G E N D A

1 NOTICE OF RECORDING/WEBCAST

The Chair to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

2 APOLOGIES

To receive any apologies.

3 DECLARATIONS OF INTERESTS

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

1 - 4

4 ACTION NOTES - 11 MARCH 2021

To agree the action notes of the meeting held on 11 March 2021.

5 - 18

5 REVISED FULL BUSINESS CASE FOR THE FUTURE DELIVERY OF THE COUNCIL'S ERP SYSTEM

To consider the Cabinet report (considered on 16 March 2021).

19 - 22

6 WORK PROGRAMME

For discussion.

7 **REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)**

To consider any request for call in/councillor call for action/petitions (if received).

8 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

9 **AUTHORITY TO CHAIR AND OFFICERS**

Chair to move:-

'In an urgent situation between meetings, the Chair jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.

BIRMINGHAM CITY COUNCIL

RESOURCES O&S COMMITTEE – PUBLIC MEETING**1400 hours on Thursday 11 March 2021 (On-line Meeting)**

Present:

Councillor Sir Albert Bore (Chair)

Councillors: Muhammad Afzal, David Barrie, Meirion Jenkins and Paul Tilsley

Also Present:

Councillor Tristan Chatfield, Cabinet Member, Finance and Resources

Sara Pitt, Assistant Director, Service Finance

Jayne Bowles, Scrutiny Officer

Emma Williamson, Head of Scrutiny

1. NOTICE OF RECORDING/WEBCAST

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2. APOLOGIES

Apologies were received from Councillor Yvonne Mosquito.

3. DECLARATIONS OF INTERESTS

None.

4. ACTION NOTES – 8 FEBRUARY 2021 & 11 FEBRUARY 2021

(See documents 1 and 2)

The Chair confirmed the letters to Cllr Holbrook and Cllr Pocock had been sent and circulated to Members.

RESOLVED:-

The action notes of 8 February 2021 and 11 February 2021 were agreed.

5. FINANCIAL MONITORING 2020/21 – MONTH 10

(See document 3)

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources, and Sara Pitt, Assistant Director, Service Finance, attended for this item.

The following points were highlighted:

- The overall position is positive, with caveats around Covid spend but this is largely compensated for by Government funding;
- There is currently a net underspend of £9.2m which represents 1.1% of the overall budget, made up of a £16.4m underspend on non-Covid issues and a £7.2m overspend relating to Covid;
- The main factor with regard to the underspend relates to Adult Social Care as a result of transformative savings and the NHS picking up much of the cost of patients in Covid care;
- It was confirmed that this matter had been referred to the Health and Social Care O&S Committee;
- The bid for the £2.9m funding to support leisure centres was submitted on 15th January and Members were informed that the bid had been successful, albeit at a lower figure of £2.6m;
- Cabinet has approved the transfer of non-ringfenced underspend at the end of the year into the Delivery Plan reserve to support the delivery of that plan, which is essential in terms of improvement and the Council's future financial position;
- Through Star Chambers and general discussions, as the Covid emergency subsides, there will be a need to make sure the organisation is unwinding its spending where Covid is concerned in order to reach a more settled financial position;

In the course of the discussion, and in response to Members' questions, the following were among the main points raised:

- Members noted that there was a report going to Cabinet on the ERP project, a matter which had been of interest to this committee for some time;
- There were concerns that the project is running late and the budget has increased, with all the requirements still not having been defined;
- Cllr Chatfield told Members that there is a lot more detail in the report which hopefully meets the objective of being open around costs and how the delay has arisen;
- It was suggested that the committee should continue to monitor this and it was agreed that the report should be included on the agenda for the April meeting;
- In response to a question about the cost of servicing debt, it was pointed out that this was an issue which had been referred to in previous monitoring reports;
- Members were told that in a comparison of local authorities, some concern had been flagged up about the level of BCC debt, which is higher than many other core cities, however it was noted that Birmingham is a larger authority;

- There are a range of ways the debt profile is managed and it is dependent on some things out of our control. However, there is a need to make sure there is an awareness of the risk of interest rates going up;
- In terms of capital expenditure, it was pointed out that in the commentary there is no identification of the projects that are slipping and Members asked that in future reports a short paragraph is included which summarises the position and identifies where the slippage is taking place, as it does for Revenue.

The Chair thanked the Cabinet Member and officers for their attendance and for the new format of the monthly reports which has resulted in Members needing to ask fewer questions.

RESOLVED:-

The report was noted.

6. PLANNED PROCUREMENT ACTIVITY REPORT

(See document 4)

There was no indication from Members that there were any matters to refer to the Cabinet meeting.

RESOLVED:-

The report was noted.

7. WORK PROGRAMME

(See document 5)

The Chair advised that there would be an informal session following this meeting to look at matters to bring forward as part of the work programme. It was confirmed that one of the subjects for discussion would be in relation to a piece of work on Agency Workers, Consultants and Interims.

With regard to the Forward Plan items listed on the work programme, Members were told that the “Procurement Strategy for supply of non-permanent workers and permanent recruitment solutions”, originally scheduled for March, would now be going to Cabinet in April.

RESOLVED:-

The report was noted.

8. DATE OF NEXT MEETING

Noted.

9. REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)

None.

10. OTHER URGENT BUSINESS

None.

11. AUTHORITY TO CHAIRMAN AND OFFICERS

RESOLVED:

That in an urgent situation between meetings, the Chairman jointly with the relevant Chief Officer has authority to act on behalf of the Committee.

The meeting ended at 1437 hours.

Birmingham City Council

Report to Cabinet

16th March 2021



Subject: Revised Full Business Case for the future delivery of the Council's ERP System

Report of: Chief Finance Officer and Director of Digital and Customer Services

Relevant Cabinet Member: Councillor Brigid Jones – Deputy Leader
Councillor Tristan Chatfield – Cabinet Member for Finance and Resources

Relevant O & S Chair(s): Councillor Sir Albert Bore – Chair of Resources Overview and Scrutiny

Report author: James Couper
ERP Programme Director
Mobile: 07802898319
Email: James.Couper@birmingham.gov.uk

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Forward Plan Reference: 008590/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Schedule 12A of the Local Government Act 1972 as amended – paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)		

1 Executive Summary

- 1.1 The purpose of this report is to seek approval of the revision of the Full Business Case (FBC) in relation to the implementation of the Council's Finance and HR

(including Payroll and Procurement) Enterprise Resource Planning (ERP) solution. Cabinet is asked to approve the increase in projected costs and impacts on forecast benefits and to approve the option to continue with the implementation of the Council's ERP System.

2 Recommendations

That Cabinet:

- 2.1 Approves the revision of the Full Business Case (FBC).
- 2.2 Delegates authority to the Chief Finance Officer (or their delegate) in consultation with the Director of Digital & Customer Services (or their delegate) to continue overseeing the delivery of the Council's ERP replacement system.
- 2.3 Notes that the progress of the project will be monitored at the Resources Overview and Scrutiny Committee (regularity to be agreed).
- 2.4 Authorises the Chief Finance Officer to release the required funding for the completion of the ERP Replacement Programme implementation.
- 2.5 Authorises the City Solicitor to negotiate, execute, seal and complete all necessary agreements and documentation to give effect to the above recommendations.

3 Background

- 3.1 On 18th September 2018 Cabinet approved an Outline Business Case (OBC) report to replace the current Finance and HR (including Procurement and Payroll) ERP solution with a new Cloud based ERP solution which met the Council's stated business requirements. This aligned with the then Council Plan priority of being a Council "Fit for the 21st Century" supported through its Workforce and ICT & Digital Strategies. Cabinet made the decision following the appraisal of a number of options and a procurement strategy for the proposed replacement of the Council's Finance and HR (including Procurement and Payroll) systems which are hosted, maintained and supported, by its then ICT partner, Capita. This provided the basis for a subsequent procurement exercise which was undertaken to identify a suitable Finance and HR, cloud-based replacement ERP solution.

On 30 July 2019 Cabinet approved a Full Business Case (FBC), based on the requirements provided, for the implementation of a new ERP solution and the award of the contract for the provision of the new ERP solution and associated systems implementation services to Insight Direct (UK) Ltd, in partnership with Evosys, on the basis that they will deliver a new solution based on the Oracle Cloud ERP solution. The original FBC was exempt when first presented and is referenced as a background paper.

- 3.2 Strategic Case – a number of the Strategic Context, Business Strategy and Aims remain broadly as described in the original FBC which can be summarised as:

- Working smarter to improve integration between services/ functions;
- Increased commissioning skills and commercial skills;
- Agile and flexible working to support a modern workplace;
- Innovative and entrepreneurial;
- Achieving more with less;
- Make better use of customer insight and business intelligence to empower informed decision making at all levels and enable us to deploy all our resources appropriately;
- Improved digital and IT capability;
- Provide support to the Council's drive to attain three star CIPFA accreditation
- Working in partnership and working with others to collaborate more as a 'One Council';
- Empowering citizens, preventing need.

3.3 Since the FBC was presented July 2019, the Council has defined a Modernisation Programme that seeks to invest in its capacity and leadership and invest in the changes it needs to make. The ERP Replacement Programme now sits within the 1B Programme within the New Type of Organisation portfolio alongside the Customer Services and New Ways of Working Programmes.

Following a validation of the original assumptions on which the FBC was based, supported by Ernst & Young, the governance and the implementation plan of the ERP system has now been aligned with the Council's strategy and delivery plans, remaining an essential enabler in the delivery of those plans.

The key benefits of the system will be to support customer services and the interaction across new best in class ways of working, increase the effectiveness of management and staff and reduce the costs of corporate services and the Council's ICT infrastructure and systems. Due diligence performed whilst confirming that some areas of benefits remain valid has identified that the original financial assessment was overstated.

The implementation programme (the 1B Programme) commenced in October 2019 with an original planned 'go live' date of December 2020 for Finance and Procurement and February 2021 for HR and Payroll. This has now been re-planned at a detailed level and the revised Programme 'go live' date is April 2022 for both Finance and Procurement and HR and Payroll.

This Revised Full Business Case summarises the re-evaluation and re-estimation of the original July 2019 FBC assumptions and presents the current estimates of both the full costs and benefits of the implementation of the Oracle Cloud ERP solution.

3.4 Since the Final Business Case 30th July 2019 for the 1B ERP Replacement, the Programme has successfully completed three phases of the 1B Programme:

1. Organisation Readiness - began in July '19 this supported the mobilisation of the programme and the supporting organisational activity.
2. Advisory – this facilitated the onboarding of partner organisations to support the design and configuration of the solution and a data migration partner in Oct '19. Through a collaborative planning approach, we identified a requirement for an additional data migration cycle and revised durations to mitigate risk; this resulted in a delay to an agreed, endorsed programme plan by all partners.
3. Design – this created the solution design to support the future ways of working and was planned to use an iterative approach in two sub phases – known as “Conference Room Pilot” (CRP 1 and 2), starting in January '20 and subsequently approved on 1st February 2021. In addition, the initial activity to support the migration of data has been validated.

3.5 During the initial 12 months of the programme delivery a number of Programme and wider organisation changes have taken place that resulted in delays within the programme plan and as a result have caused programme costs to increase:

1. Ensuring the Solution is fit for BCC:
 - a. Review of the business requirements resulted from better understanding of the solution and using it as an opportunity to support improved business processes. As a result of these factors a number of additional design activities were required to be completed to ensure that the processes deployed by the new solution meet our requirements from both a scale and future needs.
 - b. Delay in CRP2 Design Phase Exit – following the re-baselining of the CRP2 milestone from 16th June 2020 further design clarifications were identified in October 2020. The programme team and our sub-contractor Evosys worked through a number of design issues that required more time and resultant changes in the approach to business requirements analysis. Agreement to the design was achieved on 1st February 2021. This will help to avoid downstream cost increases, delivery of sub-optimal solutions and later issues during the testing phases of the programme.
2. Ensuring Data Security - Following detailed consultation during the CRP2 design the Programme revised its approach to data management to assure the appropriate levels of data security. The change in approach required additional time and resources to align the design with the required information security protocols to support the access and data transfer process in preparation for data migration cycle.

3. Staff turnover within the programme and the organisation has impacted on the level of Oracle solution knowledge and progress made over the previous programme phases requiring time to enable staff to understand the design. This also resulted in the re-validating of design decisions from CRP2.
4. Deficiencies in the programme delivery processes resulted in an Ernst & Young led Assurance Review that highlighted a number of areas of governance and approach that required change. These changes have now been progressed and will continue to be reviewed.
5. All of those issues have led to delays which have impacted the decommissioning of the existing ERP systems, which have had to be migrated to a new platform to deal with aging hardware and software, and subsequent delay in the go-live date will mean that the existing system will have to be supported for 12 months longer than planned in the original FBC.

3.6 Economic Case - Within the Original Business Case (Sept 2018) a number of longlisted options were appraised on the basis of achieving best value for the Council. For this revision, we have considered available options at this moment in time. There are two viable options to be considered:

1. Option 1 - Continue with the implementation at increased cost and with an impact on the financial benefits;
2. Option 2 - Do not continue with the implementation, develop further plans for a new ERP solution to replace the current outdated SAP system.

The ERP Programme team have completed a cost vs benefit analysis and considered risks and assumptions. It is noted that as with any programme of this size and complexity there is always a level of uncertainty to projected/ forecasted costs. Benchmarking has suggested that some of the initial estimated costs were not consistent with a Programme of this scale and complexity. The cost for Option 2 has been considered in terms of both expenditure that will not be recovered estimated to be £27.1m - £28.2m (including license, third party, internal and contract resource) and the lost opportunity of benefits of £10.918m. It should also be noted that there would remain a requirement to upgrade and/or replace the current SAP solution – these costs have not been estimated.

3.7 **The preferred option based on the Economic case is option 1 which is to continue with the implementation at increased cost but with an impact on the financial benefits.**

3.8 The ERP Programme is recommending the following risk mitigating actions to support the revised Programme timeline and cost increase going forward, some of which have already have already been implemented:

1. A Programme Director with proven track record has been appointed to plan and drive the programme to completion and manage key partners, stakeholders and dependencies.

2. The revised Programme Plan, Programme Team and associated costs have been validated to ensure that the revised Go-Live date is planned and baselined appropriately and continually monitored.
3. Enhanced scrutiny and review from members of the Executive Team will ensure that the Programme Director remains committed to provide regular updates to the Overview and Scrutiny Committee to ensure that the timelines and costs remain within the agreed parameters.
4. The ERP Programme to have an allocated contingency budget that is controlled by and under the guidance of the Steering Committee and the Capital Board.
5. Revised governance, monitoring and updates at the defined stages within the programme to assure Senior Stakeholders that the programme remains on track.
6. Clear commercial strategy applied across all sub-contracts and suppliers.

4 Benefits Realisation

4.1 Benefits should always be considered in a much broader context than just a replacement technology solution, and financial benefits. This was always a technology based transformation programme which will benefit the Council as a whole, providing the catalyst for change as well as delivering tools to enable business improvements and efficiencies within our HR, Payroll, Finance and Purchasing processes. The programme is closely aligned to and acts as an enabler to the wider financial management improvements identified within CIPFA recommendations.

The purpose of our benefits realisation approach is to ensure the objectives of the programme are met, and deliver the outputs as set out in the below diagram. As part of this revision to the Full Business Case we have continued to drive benefits management and realisation, as well as assess our confidence on realising benefits as set out in the original FBC. A summary of this is presented in The Economic Case section. During and post implementation we will continue to track and monitor our benefits.



As we have been designing our future ways of working, we have identified benefits and drawbacks/disbenefits associated with adopting our new cloud solution and associated business processes. All of the non-financial benefits identified are categorised into 'types' (tangible/intangible), and by our level of confidence that they will be realised i.e., if they are definite, expected or anticipated. Benefits will continue to be monitored and tracked for the lifetime of the programme, and beyond.

- 4.2 The user experience is at the heart of the new solution, it has been designed with the principle of being customer (as defined below) centric – involving customers as part of the design workshops. Throughout the design phase we have identified qualitative benefit for the Council, employees and professional users of the system, both internal and external to the Council (suppliers). Much of the internal user benefit lies in self-service application of system functionality, information management and the subsequent insights the solution can provide.

Budget Holders – the new solution will support a drive towards self-service budget management providing real time reporting, and tools to enable budget holders to forecast and monitor expenditure in the system rather than using spreadsheets. The system will provide one version of the truth with automated commitment and accrual accounting. The chart of accounts has also been rationalised to accurately represent the business and align to the HR Structure within the organisation.

Line Managers - will be able to access and manage a range of self-service activities such as live dashboard information about employees and improved experience for approving and managing leave requests. New tools will allow management of staff performance and development online and have a single platform for all learning records, delivery.

Employees - will be able to access and manage a range of self-service activities including viewing payslips, updating learning history and performance objectives, booking annual leave, recording sickness absence, managing personal information and claiming expenses. New functionality will support agile and flexible mobile working from any location, using any device. A clear alignment to the New Ways of Working programme.

5 Consultation

Members of Resources Overview & Scrutiny, Leader of Conservative Opposition, Leader of Liberal Democrats Opposition.

6 Risk Management

- 6.1 Risks have been identified, evaluated and are controlled in line with the Council's Risk Management Methodology.
- 6.2 A revised set of Risks has been assessed for likelihood and impact with defined mitigation strategies and are tracked and managed by the ERP Programme PMO.
- 6.3 The following risks are highlighted and the mitigation activities to manage these have been incorporated into the detailed plan that now supports the 'go live' date.

No.	Risk	Council High Level Programme Response / Mitigation
1	There is a risk that the wider Council core services operating model transformation could result in the loss of key resources and knowledge	Full resourcing workstream plan defined for the programme - dependencies to transition resources mapped - contingency planned
2	Management of Business Change / Stakeholder Engagement - Behavioural & Cultural - Internal & External (Suppliers / Customers)	Full business change supplementary resourcing to enhance Council capacity has been secured - Hybrid Council /Third party model
3	There is a risk that the Data migration volume / Data quality results in additional time and cost to resolve	Risk Managed using the support of a third-party supplier who manage an end-to-end Data Migration cycle.
4	There is a risk that the Business Resources (SME / Process Owners) Assigned to project (Whole Lifecycle) does not remain consistent which could increase the need for additional external support	Business resource backfill secondment model deployed supplemented by the experienced Implementation consultants to enable knowledge handover throughout the implementation lifecycle.
5	There is a risk that the Integration / Interface complexity / Management of 3rd parties results in extended testing and resolution	Robust plan in place of implementation of the interfaces and integrations. Close working arrangement with the SI.
6	There is a risk that the Payroll complexity / volume results in extended testing timescales and impacts the go live planned date	Payroll rationalisation approach agreed and will be applied before Go-Live. Robust Payroll Testing approach agreed to ensure solution is sufficiently tested before being released.
7	There is a risk that delay to the timescales for project release (Apr 2020) result in a change in delivery approach and costs	New plan has been agreed with support from the SI and Data Migration partner with one Go-Live date. Relevant stakeholders have been consulted around the Go-Live date to ensure any risks raised are managed throughout the implementation timeline.

9	There is a risk that the complexity of Council environment (Inc. back office transition) results in the need for additional change and adoption support	Business Change team working across the organisation to ensure BCC Stakeholders are briefed on the programme objectives, scope and timelines.
10	There is a risk that cross dependencies with other major programmes result in unplanned costs, resource conflict and/or increased timelines.	Programme PMO is working under the 'New Type of Organisation' Portfolio managed by the CPMO. Dependency management with other major Programmes within the BCC managed by the ERP Programme PMO and tracked within the Programme RAID log.

7 Information Technology / Security

- 7.1 The ERP specification follows UK Cabinet Office guidelines on Government Digital Code of Practice. The Security Protocol was fully ratified via supplier terms and conditions prior to the contract award.

8 Compliance Issues

- 8.1 The Council's outcomes and priorities as detailed in the Council Plan approved by Cabinet in February 2019 will be supported by the adoption of this proposal through the implementation of a new system that will enable more effective decision-making by managers across the Council and delivery of improved efficiency by reducing the cost of administration. It is also consistent with the ICT & Digital Strategy (2016 - 2021) approved by Cabinet in October 2016.
- 8.2 The implementation of the new processes, behaviours and technology associated with the 1B programme is a key part of the Council's delivery plan approved by Cabinet in November 2020.

9 Public Sector Equality Duty

- 9.1 An Equality Impact Analysis has been completed by the ERP Programme Team and is reviewed on a regular basis. This indicates that the equalities impact of the proposed implementation of a new Finance and HR cloud-based ERP system is minimal, and that the new solution will ensure that all of the latest equality duty requirements, for example, accessibility for users with specific needs, will be met.

10 Legal Implications

- 10.1 Section 112 of the Local Government Act 1972 confers power on the Council to appoint such officers as it thinks necessary for the proper discharge of its

functions. Section 111 of the act confers power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

- 10.2 The Council is under a duty, specifically 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.

11 Financial Case Implications

- 11.1 Programme costs covered in this section include additional SAP ERP revenue running costs, implementation costs, funding model, and potential savings arising from the proposed new ERP solution.
- 11.2 This Revised FBC extends over a 12-year period (2019/20 to 2030/31) in line with the OBC and recognises that as the organisational changes in culture, processes and procedures, from the wider ERP programme, become embedded, it will realise longer term benefits beyond the life of the new IT system and the initial seven year contract period.
- 11.3 Table 1 below summarises the estimated costs and savings associated with the implementation and operation of the new ERP system. Over the life of the FBC there is a forecast gross ERP system saving of £10.918m.
- 11.4 A total saving of £26.901m was initially estimated, taking into consideration system and other employee efficiency savings. The £15.983mm reduction from the OBC is due to increased implementation costs of £9.784m (the additional implementation time), increased system support costs of £5.112m (the requirement to provide SAP access for an additional 12 months) and various other net changes of £1.087m including a reassessment of the likely staff cost savings.

Table 1

Current Estimated Cost of SAP	Financial Years									Totals
Financial Year:	1	2	3	4	5	6	7	8	9	
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
SAP Licensing	2,002	2,002	2,002	2,002	2,002	2,002	2,002	2,002	2,002	18,018
Support Costs - Capita	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	12,870
Capita Hosting Costs	200	200	200	200	200	200	200	200	200	1,800
Council Support Costs - internal	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	13,320
Total Current Annual Cost	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	46,008
New Estimated Costs of Oracle										
Licensing	1,939	1,939	1,939	2,049	2,163	2,163	2,163	2,163	2,163	18,681
Licensing OTL	50	50	50	50	50	50	50	50	50	449
Licensing non-Oracle	200	200	200	200	100	100	100	100	100	1,300
Support Costs	600	525	400	350	300	250	200	150	125	2,900
Hosting Costs	10	10	10	10	10	10	10	10	10	90
Council Support Costs - Internal	1,750	1,600	1,600	1,120	1,120	1,120	1,120	1,120	1,120	11,670
Total Future Annual Cost	4,549	4,324	4,199	3,779	3,743	3,693	3,643	3,593	3,568	35,090
Estimate Cost/(Saving) from New ERP	(563)	(788)	(913)	(1,333)	(1,369)	(1,419)	(1,469)	(1,519)	(1,544)	(10,918)

- 11.5 The estimated total implementation cost for the new ERP is £38.685m (Table 2), phased over a five year period 2018/19 to 2022/23. The main reasons for this is a delay to the completion of the Design stage in order to ensure the completeness of the solution to meet BCC's needs; a reprofiling of the remaining delivery work and plan to enable a cutover from the old system at the optimum time; an adjustment of certain cost assumptions made at the OBC stage and the need for additional internal business and ICT resources to deliver the ERP implementation and business change process, given the scale of this project.

Table 2

Business Case Titles	Steer Co Titles	Provider	Budget in Original Business Case - Oct 18 to April 21	February 21 Figures	Over/(Under) Spend
Estimate SI Implementation	Solution Delivery	Evosys Contract	£ 3,413,000	£ 6,373,608	£ 2,960,608
New Cloud ERP Licensing	Licensing	Licences - Oracle and Non-Oracle	£ 2,240,000	£ 4,168,547	£ 1,928,547
BCC SME Programme Resource	Programme Management	Project Management Office Staff	£ 4,333,000	£ 8,045,057	£ 3,712,057
	Programme Delivery				
Business Change Resources	External Support	SOCITM Contract	£ 3,950,000	£ 5,673,306	£ 1,723,306
ICT Technology Programme Resources	Internal Support	ITDS Staffing	£ 2,382,000	£ 4,564,952	£ 2,182,952
Training Resources and Licensing	Business Readiness	Training	£ 535,000		(£535,000)
Data Migration, Decommissioning & ICT Resources	Solution Support	Egress Contract	£ 1,275,000	£ 2,678,058	£ 1,403,058
Implementation of SAP ERP Business Continuity Solution	SAP Business Continuity	SAP Exit costs and archiving	£ 1,788,000	£ 2,956,000	£ 1,168,000
Procurement Support	N/A		£ 48,000	£ 59,062	£ 11,062
Business Design Authority	Business Design Authority	Design changes	£ -	£ 3,653,525	£ 3,653,525
BCT Staffing	BCT Staffing		£ -	£ 475,000	£ 475,000
Miscellaneous	Miscellaneous	Various		£ 38,360	£ 38,360
Totals			£ 19,964,000	# £ 38,685,475	£ 18,721,475

- 11.6 An additional £20.000m has been allocated to the ERP programme through the 2021/22 budget process and will cover the additional implementation costs.
- 11.7 A contingency sum of £1.2m has been identified, to be controlled by the Programme Steering Committee and allocated against identified risks.
- 11.8 The set up and implementation expenditure on the ERP Replacement Programme can be capitalised under proper practices. Therefore, this expenditure will be funded from the capital programme.

Table 3

	2018/19	2019/20	2020/21	2021/22	2022/23	Total Cost
	£m	£m	£m	£m	£m	£m
Total Implementation Costs	0.172	6.983	12.810	18.721	-	38.686
Financed by:						
Finance and Governance Directorate base budget contributions	0.172	0.448	0.372	-	-	0.992
Invest to Save	-	6.535	12.438	-	-	18.973
Capitalisation of Transformational Spend	-	-	-	18.721		18.721
Total Financing	0.172	6.983	12.810	18.721	-	38.686

12 Commercial and Procurement Case Implications

12.1 To support the Council with the delivery of the ERP Programme the following contracts were tendered and awarded for various aspects of the Programme execution:

- Insight UK – for Oracle Solution Licenses and Evosys System Integrator implementation services
- Egress – for delivery of Data Migration services
- SOCITM Advisory – for delivery of the Programme and Adoption Management support

All contracts are based on a robust set of requirements defined by BCC stakeholders and as a result of the award these enabled risk transfer of the Oracle Cloud system configuration and implementation journey, migration of BCC data and Programme management support:

- **Insight UK Limited** in partnership with Evosys (Systems Integrator) and Oracle (Application/Licensing) were awarded a contract via the Crown Commercial Services Framework (RM3821) and are responsible for the delivery of a cloud-based ERP solution for a period of 5 years from 26th September 2019 to 25th September 2024 with the option to extend for a further two years.
- **SOCITM Advisory** were appointed to provide of PMO, Programme Management and Change management via the Bloom Framework Agreement for the period 20th May 2019 to 31st March 2021 with an option to extend for a further 12-month period.
- **Egress** was awarded the contract to provide data migration services via Crown Commercial Services Framework G Cloud 10 Framework, commencing 14th October 2019 and ending 1st October 2021.

- 12.2 To enable the IB ERP programme to extend the 3 main contracts we can rely upon Regulation 72, whereby a contracting authority can make modification or variations to an existing contract where a change of contractor cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement (and) would cause significant inconvenience or substantial duplication of costs for the contracting authority, provided that any increase in price does not exceed 50% of the value of the original contract:

Insight (UK) Limited – original authorised value £16.627 million – (which would mean an extension to the existing services from Insight (Evosys) would not breach the 50% threshold).

SOCITM – To ensure continuity of service provision during this implementation it is recommended that the Council exercise the existing option to extend this contract for a further period of 12 months in line with the original conditions of award. The original authorised value £3.9m – £3.81m has been spent to date and it is envisaged that the Council will need to spend a further £1.6m to conclude the implementation of 1B. This extension to the existing services with SOCITM would not breach the 50% threshold as set out in Regulation 72.

- 12.3 In relation to the contract with Egress the Council has two options; we can seek approval for direct award relying upon Regulation 32 (2) b or we can communicate the need to re-procure the services via the Planned Procurement Activities report and utilising the CCS G cloud framework. The recommended route to market is to reprocure this requirement prior to the expiry of the Egress contract in October 2021.
- 12.4 Where applicable programme expenditure will be classed as Capital (Transformation spend) in accordance with Central Governance rules.

13 Contract Management

- 13.1 The contracts will be managed by the ERP Programme Director with the support of Corporate Procurement following Council contract management framework governance guidelines.

14 Human Resources Implications

- 14.1 No TUPE implications have been identified in relation to this report.
- 14.2 An in-house team will be established on a secondment (fixed term basis), supplemented by external Subject Matter Experts and business change resources, to deliver the Council requirements of the programme.

15 Background Documents

- 15.1 Cabinet Report – Outline Business Case and Options Appraisal for the future delivery of the Council's HR and Finance Systems 18th September 2018
- 15.2 Cabinet Report – Full Business Case and Contract Award for the Future Delivery of the Council's HR & Finance Systems 20th July 2019
- 15.3 Cabinet Report – Update on the delivery of the Birmingham City Council Information and Communications Technology and Digital Strategy (2016-2021) – 21st July 2020

16 Appendices

- 16.1 N/A



Resources O&S Committee: Work Programme 2020/21

Chair	Councillor Sir Albert Bore
Deputy Chair	Councillor Lisa Trickett
Committee Members:	Councillors Muhammad Afzal, David Barrie, Meirion Jenkins, Yvonne Mosquito, Brett O'Reilly and Paul Tilsley
Committee Support:	Scrutiny Team: Emma Williamson (464 6870) and Jayne Bowles (303 4810) Committee Manager:

1 Meeting Schedule

Date	Item	Officer contact
18 June 2020 1430 hours Deadline for reports: 9 June	Financial Outturn 2019/20	Rebecca Hellard, Interim Chief Finance Officer
	Birmingham Children's Trust Outturn 2019/20	Andy Couldrick, Chief Executive/Andrew Christie, Chair, Birmingham Children's Trust
	Budget Implications of Covid-19 Activity	Rebecca Hellard, Interim Chief Finance Officer
23 July 2020 1200 hours Deadline for reports: 14 July	Quarter 1 Financial Outturn 2020/21	Rebecca Hellard, Interim Chief Finance Officer
	Neighbourhoods Directorate (deferred)	Rob James, Acting Director, Neighbourhoods/Darren Share, AD, Street Scene
10 September 2020 1300 hours Deadline for reports: 1 September	Neighbourhoods Directorate	Rob James, Acting Director, Neighbourhoods/Julie Griffin, Acting AD, Housing/Darren Share, AD, Street Scene
	CWG Athletes Village	Rebecca Hellard, Interim Chief Finance Officer/Craig Cooper, Programme Director, CWG/Guy Olivant, Major Developments Lead
	Financial Monitoring 2020/21 – Month 4	Rebecca Hellard, Interim Chief Finance Officer



15 October 2020 1400 hours Deadline for reports: 6 October	Financial Monitoring 2020/21 – Month 5	Rebecca Hellard, Interim Chief Finance Officer
	In-Reach – Financial Issues	Colette McCann, Head of Housing Development/Aniekan Umoren, Interim AD Housing Development
12 November 2020 1000 hours Deadline for reports: 3 November	Financial Monitoring 2020/21 – Quarter 2/Month 6	Rebecca Hellard, Interim Chief Finance Officer
	Medium Term Financial Plan Refresh	
10 December 2020 1400 hours Deadline for reports: 1 December	Financial Monitoring 2020/21 – Month 7 School Deficits Risk Issues around Commercial Property	Rebecca Hellard, Interim Chief Finance Officer/Sara Pitt, AD, Service Finance
14 January 2021 1400 hours Deadline for reports: 5 January	Financial Monitoring 2020/21 – Month 8	Rebecca Hellard, Interim Chief Finance Officer
	CIPFA “deep dive” review – Neighbourhoods Directorate	Rebecca Hellard, Interim Chief Finance Officer/Rob James, Acting Director, Neighbourhoods
11 February 2021 1400 hours Deadline for reports: 2 February	Financial Monitoring 2020/21 – Quarter 3/Month 9	Rebecca Hellard, Interim Chief Finance Officer
	Engagement of Agency Workers, Consultants and Interims	Jon Lawton, Cabinet Support Officer/Tim Normanton, AD, HR (Acting)
11 March 2021 1400 hours Deadline for reports: 2 March	Financial Monitoring 2020/21 – Month 10	Rebecca Hellard, Interim Chief Finance Officer
8 April 2021 1400 hours Deadline for reports: 30 March	Revised Full Business Case for the Future Delivery of the Council’s ERP System	Rebecca Hellard, Interim Chief Finance Officer/Jon Lawton, Cabinet Support Officer

2 Items to be programmed

- 2.1 Planned Procurement Activities Report to be a standing item on all meeting agendas
- 2.2 Perry Barr Regeneration Scheme - Full Business Case Update *(due to go to Cabinet in May)*



3 Other Meetings

Inquiry: Procurement and Contract Management

8 April 2021 Informal Session

Call-in

25 August 2020	Birmingham Clean Air Zone (CAZ): Implementation of Main CAZ Infrastructure – Civil Engineering and Cameras Solution – Full Business Case (FBC)	Called in
8 February 2021	Provision of Legal Advice for the Birmingham Smithfield Development Increase in Call Off Contract Value	Called in

Petitions

None scheduled

Councillor Call for Action requests

None scheduled

4 Forward Plan for Cabinet Decisions

008576/2021	Outturn Report 2020-21	18 May 21
Leader		
008307/2021	Perry Barr Regeneration Scheme – Full Business Case Update	18 May 21
Deputy Leader		
008717/2021	New Ways of Working Programme	20 Apr 21
008718/2021	Business Rates – Expanded Retail Discount 2021 to 2022	20 Apr 21
Cabinet Member for Finance and Resources		
007787/2020	Procurement Strategy for supply of non-permanent workers & permanent recruitment solutions	20 Apr 21
008504/2021	Refurbishment and conversion of the former Youth Court to relocate the Coroners Service	20 Apr 21
008616/2021	Contract Extension – Civil Parking Enforcement Services (P129)	20 Apr 21
008682/2021	Arboriculture Services (Non-Highways) (P0560) – Contract Extension	18 May 21
Cabinet Member for Street Scene and Parks		
008760/2021	Increase in Expenditure – Provision of Legal Advice to Support the Development of the Future Waste Strategy (P0610C)	20 Apr 21
007349/2020	Waste Vehicle Replacement Programme	18 May 21



Cabinet Member for Transport and Environment		
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008501/2021	Highway Maintenance and Management PFI Contract	20 Apr 21
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