

## Core Business Transformation Programme

Date: 19<sup>th</sup> October 2022

Report of: Director of Resources

Report to: Executive Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

The Core Business Transformation (CBT) Programme aims to transform Finance, Procurement, HR and Payroll activities across the council to enable our workforce to meet growing demand for vital, modern services. These systems are used by many people for things like processing invoices, ordering goods or services, recording hours, pay, leave, sickness, training and HR advice. The council has pledged to be the best place to work with the right tools for the job and this transformation will bring in technology and ways of doing things that are more joined-up, cloud-based and easy for everyone. The CBT programme will be funded from capital receipts, which cannot be used to cover frontline revenue costs. Around 50% of the costs are covering the salaries of existing staff who have been deployed to work on the programme.

Phase 1 of delivery will be to replace the Finance system. The current Finance system (FMS) has to be replaced because it: does not have a viable path for upgrade; is highlighted by external auditors as needing replacement in their ISA 260 report; does not have the required Finance functionality; is internally developed with low levels of support.

This paper contains the recommendations to deliver the programme with a variation to the original technology approach.

### Recommendations

- a) Approve the Core Business Transformation Programme to proceed with phase 1 of delivery requiring additional Authority to Spend of £9.47m funded from Capital Receipts. The total cost estimate to deliver Phase 1 is £10.48m.
- b) Note the change for the overall technical requirement from a single ERP solution to a core technology platform plus a number of best of breed applications in order to better meet the council's requirements now and in the future, and enable the council to benefit from the rapidly changing technology market.

- c) Note that all of the programme costs, whether revenue or capital are included under the banner of transformational change, and as such can be capitalised under the Government's Flexible Use of Capital Receipts Directive. This funding source cannot be used to cover frontline revenue costs.
- d) Note that phase 1 is part of a wider programme of works estimated to cost £18.48m including phase 1. Additional approvals will be sought for the subsequent phases.
- e) Note that the Chief Officer – Financial Services is the responsible officer for the procurement and implementation of phase 1 which is focused on Financial Services. The cross-council programme board, chaired by the Chief Officer Financial Services, will continue to provide oversight and challenge. Internal Audit are also reviewing on a regular 3-monthly cycle and providing recommendations to the programme board.

### **What is this report about?**

- 1 The Core Business Transformation Programme is providing an update to the Executive Board on the Procurement process and Delivery approach.
- 2 In accordance with the Exec Board report of September 2020 the Council had entered into a competitive dialogue process however:
  - Suppliers did not deliver submissions which met our requirements on transformation or technology.
  - Supplier submissions offered limited technology choice with 3 suppliers bidding the same solution with minor differences,
  - 1 supplier undecided on technology and
  - the remaining supplier uncertain about progressing.
- 3 As continuing Competitive Dialogue was unlikely to change the submissions enough to meet our requirements; continuing the process had considerable risks to lengthen the timeline; increase procurement cost and require a complex legal agreement while not meeting the overall aims of the procurement, the CBT Programme Board agreed to change the procurement approach to procuring in smaller work packages.
- 4 The CBT programme has moved away from a single ERP solution provided by one vendor. LCC's requirements will continue to change and the technology market is rapidly evolving. The choice of a core technology platform plus best of breed applications gives Leeds the flexibility to choose the best application when that decision needs to be made. Choosing a single ERP would bind LCC into that solution, their development path and license cost increases for multiple years – typically at least 10 years. The total cost of ownership is higher for a single ERP solution and support will require specialist skills which are less available in the market and at a higher price point.
- 5 Following DDNs, the CBT Programme has worked with Ernst and Young (EY) to: assess the current process and technology maturity and agree the future Target Operating Model (TOM) – how we will organise, ways of working, business process design and technology choice. Moving from current ways of working and technology to the future TOM has been built into a roadmap of broad phases consisting of projects or work packages across transformation and technology. Approval will be sought from the Exec board for each separate updated business case
- 6 Phase one will include investment to deliver:
  - Finance implementation using the preferred technology;

- Operating Model work to prepare HR, Payroll and Procurement;
- Transformation and Change support;
- CBT programme and portfolio management.

- 7 The CBT programme has been split into phases for approval to reduce commercial and delivery risk from having one partner with a wide scope and to enable the authority to take advantage of rapid advances in available technology. The preferred technology choice for Finance does not disadvantage technology choices for the other functions: HR, Payroll and Procurement.
- 8 Phase 1 procurement will be from existing Leeds City Council (LCC) or Crown Commercial Services (CCS) frameworks. This significantly shortens the time to delivery starting, reduces procurement and implementation risk and enables LCC to control the implementation timeline ensuring that functions are ready to receive the change.
- 9 This proposal links strongly to the proposed Leeds City Digital Strategy 2022 (included on the same Exec Board agenda) through the digitisation of core business services, holistic approach to the redesign of processes and ways of working. We are working already to improve our data management, use and access across the core business functions. The CBT programme will provide the core connectivity and infrastructure to provide the backbone for world class delivery of core business services. Digital inclusion of the council workforce is a key objective which will be realised as part of phase 2. Through this transformation journey we will be working to build the digital skills of the functions affected and users of the service.

### **What impact will this proposal have?**

- 10 Finance is the first to be implemented as
- the current Finance system (FMS) has to be replaced because it:
    - is near end of life;
    - urgently needs modernising;
    - has no viable path to upgrade due to the age of the underlying technology;
    - does not have the required Finance functionality;
    - is an internally developed system, with low levels of internal support which represents a single point of failure and significant operational risk to the council.
  - In addition, external audit recommendations on the council's financial management, monitoring and reporting cannot be addressed without up to date technology.
- 11 Technology implementation will enable Financial Services to deliver further benefits through continuous improvement. The new benefits will lie in the efficiency and effectiveness of services with the right people having access to raise orders, speeding approvals and confirming receipt of goods or services. The new system will enable Finance to reduce the number of external audit points. Greater transparency and integrated budget data will enable budget holders across the council to manage budgets more effectively. The Finance system will then provide a foundation for further benefits to be delivered for integrated digital services across the other core functional areas of HR, Payroll and Procurement.

### **How does this proposal impact the three pillars of the Best City Ambition?**

- Health and Wellbeing       Inclusive Growth       Zero Carbon

- 12 The CBT programme supports inclusive growth by ensuring our people are equipped with the skills to do their jobs and that roles are valuable and rewarding. Staff not currently digitally enabled in the workplace will be included and well supported to use new digital ways of working

and standard processes. Intuitive (minimal training needed for user to easily operate the process) and accessible (for a wide range of users with differing accessibility requirements / access technologies) user interface for system users and end-users with office, remote and mobile access. Access from any device supports remote working and contributes to reducing travel and size of offices which need to be heated and maintained. Health and wellbeing will be enabled by making core processes easy to use, removing hassle and stress and releasing time to focus on value adding and rewarding activities.

### What consultation and engagement has taken place?

Wards affected: No specific ward affected

Have ward members been consulted?  Yes  No

13 The CBT programme board and team have discussed and consulted on the proposals including input from the council's procurement team (Procurement & Commercial Services) and IDS procurement. The CBT team have also engaged with exec members and senior managers to understand current pain points and ambitions for future service delivery. The CBT team have a standing item on the quarterly Corporate JCC which ensures that trade union colleagues are kept up to date with the progress of the programme.

### What are the resource implications?

- 14 The estimated costings for Phases 1 and 2 have been developed based on Ernst & Young's experience of similar local government implementations. The costings have been calibrated against known figures from other councils to ensure that they are realistic. An external transformation / implementation partner(s) will be used for the Finance and Purchase to Pay new process design and technology implementation. The existing CBT team, which is mainly internal, will be used to lead the Change Management in the affected functions. For phase 1, the staff affected by the change, will be the Finance function staff, Business Shared Services Centre Finance admin staff. External support will be used to help define the Target Operating Model / Service design model for HR, Payroll and Source to Pay.
- 15 The table below gives the Authority to Spend required for phase 1 of £9.47m and previous Authority to Spend under this scheme. This will be funded from flexible use of Capital Receipts, a funding source which cannot be used for frontline services revenue costs. Subsequent phases will need additional exec approval and additional injection from capital receipts as part of setting the overall 23/24 budget. The ongoing Revenue costs will not be finalised until Phase 2, dependent on the technology choices in phase 2. If over and above existing revenue costs, then it will be built into the Medium Term Financial Plan (MTFS). It is expected that revenue costs will fall / break even when all the existing CBT systems in scope are taken into

consideration.

| Previous total Authority to Spend on this scheme        | TOTAL<br>£000's | TO MARCH<br>2022<br>£000's | FORECAST          |                   |                   |                   |                   |
|---|-----------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   |                 |                            | 2022/23<br>£000's | 2023/24<br>£000's | 2024/25<br>£000's | 2025/26<br>£000's | 2026 on<br>£000's |
| LAND (1)  | 0.0             |                            |                   |                   |                   |                   |                   |
| CONSTRUCTION (3)  | 0.0             |                            |                   |                   |                   |                   |                   |
| FURN & EQPT (5)   | 0.0             |                            |                   |                   |                   |                   |                   |
| INTERNAL DESIGN FEES (6)                                | 660.0           | 660.0                      |                   |                   |                   |                   |                   |
| OTHER FEES / COSTS (7)                                  | 350.0           | 350.0                      |                   |                   |                   |                   |                   |
| <b>TOTALS</b>   | <b>1010.0</b>   | <b>1010.0</b>              | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        |
| Authority to Spend required for this Approval           | TOTAL<br>£000's | TO MARCH<br>2022<br>£000's | FORECAST          |                   |                   |                   |                   |
|   |                 |                            | 2022/23<br>£000's | 2023/24<br>£000's | 2024/25<br>£000's | 2025/26<br>£000's | 2026 on<br>£000's |
| LAND (1)  | 0.0             |                            |                   |                   |                   |                   |                   |
| CONSTRUCTION (3)  | 0.0             |                            |                   |                   |                   |                   |                   |
| FURN & EQPT (5)   | 7280.0          |                            | 3212.2            | 3338.0            | 729.8             |                   |                   |
| INTERNAL DESIGN FEES (6)                                | 1856.8          | 632.2                      | 449.6             | 450.0             | 325.0             |                   |                   |
| OTHER FEES / COSTS (7)                                  | 333.2           | 64.0                       | 99.2              | 100.0             | 70.0              |                   |                   |
| <b>TOTALS</b>   | <b>9470.0</b>   | <b>696.2</b>               | <b>3761.0</b>     | <b>3888.0</b>     | <b>1124.8</b>     | <b>0.0</b>        | <b>0.0</b>        |
| Total overall Funding (As per latest Capital Programme) | TOTAL<br>£000's | TO MARCH<br>2022<br>£000's | FORECAST          |                   |                   |                   |                   |
|   |                 |                            | 2022/23<br>£000's | 2023/24<br>£000's | 2024/25<br>£000's | 2025/26<br>£000's | 2026 on<br>£000's |
| Flexible Use of Capital Receipts                        | 10480.0         | 1706.2                     | 3761.0            | 3888.0            | 1124.8            |                   |                   |
| Total Funding   | 10480.0         | 1706.2                     | 3761.0            | 3888.0            | 1124.8            | 0.0               | 0.0               |
| <b>Balance / Shortfall =</b>                            | <b>0.0</b>      | <b>0.0</b>                 | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        |

## What are the key risks and how are they being managed?

16 Key risks with the new approach and mitigations are in the table below:

| Risk  | Mitigation   |
|---|--|
| Supplier does not deliver.  | Framework contracts allow for cancellation with one month's notice so risk is minimised, unlike one contract for the whole scope where cancellation is very difficult and expensive  |
| Integration of different technology solutions.  | Ensure that solutions are cloud-based with standard API (application programming interface) data connections enabling integration. Define a standard data model which all solutions must adhere to. Technology platform choice with strengths in integration |
| Lack of consistent look and feel  | Programme Board agreed that ease of access and ease of use is more important than differences in look and feel between applications. Operational and management reporting will retain the same look, feel and means of operating.                            |
| Less readiness to transform and implement new technology in some functional areas and so programme stalls or stops before completing the whole scope of delivery. | Plan phases of work to identify pain points, benefits and engage with each functional area to ensure that each area is ready and enthusiastically drives adoption.   |
| Programme focuses on the technology and loses sight of the core aim of ongoing transformation.  | Ensure that target operating models / service design are agreed before technology choice.  |

|   |   |
|---|---|
| Cost or timescale overrun.  | For a programme of this nature, cost or timescale overruns are typically driven by: data migration not ready; lack of access to LCC Subject Matter Experts; customisation of processes. LCC will only contract for modules of delivery one at a time, not the whole scope. This enables effective mitigation of risks through advance planning, flexible scheduling if necessary and ensuring functional areas are ready. |
| Customisation drives increased implementation, support costs and upgrade issues | Robust process including a Design Authority, Chief Officer sign-off to agree and prioritise any customisations against a fixed budget.  |

## What are the legal implications?

- 17 For the proposed modular procurement, procuring from frameworks includes an agreed contract and the right to cancel with a month's notice as standard within that contract. This reduces time to agree contracts and risk to LCC because if a supplier is not delivering, they can be stopped.
- 18 The chosen Finance technology is being kept as commercially sensitive so that the authority can negotiate with the supplier on the cost of the services the supplier provides to the authority.
- 19 The information in appendix A of this report has been identified as exempt under the Access to Information Rules 10.4 (3). The public interest in maintaining the exemption in relation to the Appendix outweighs the public interest in disclosing the information and financial details which, if disclosed would adversely affect the business of the Council.

## Options, timescales and measuring success

### What other options were considered?

- 20 Other technology options were considered and a comparison is provided in confidential Appendix A. Appendix A demonstrates willingness to critically assess options as the programme progresses to ensure the council achieves Value for Money through the Transformation Process.

### How will success be measured?

- 21 KPIs to measure progress will be defined as we go through the implementation journey and built into the council's performance management framework. The KPIs will be designed to be specific to Leeds and targeted on the process improvements and user experience we want to see.

### What is the timetable and who will be responsible for implementation?

- 22 The overall roadmap is a 3- to 4-year transformation given the level of change and realistically multiple other priority demands on the core functions. The Finance implementation will be a 24-month journey.
- 23 The original intention was to deliver the whole programme for all functions in 24 months. Investigation into other authorities' timelines who have implemented similar programmes and experience from EY have indicated this timeline is unrealistic and high risk. The CBT team together with EY have completed a more detailed assessment of the current state and

considerable level of change for people and technology to reach the future state. The CBT programme will take every opportunity to speed timelines where possible.

## **Appendices**

- Confidential Appendix A PowerPoint business case – commercially sensitive – designated as being exempt from publication under the provisions of Access to Information Procedure Rule 10.4(3)
- Appendix B: Equality Impact Assessment September 2022

## **Background papers**

- None