

Authority to award a contract to KPMG LLP by way of a call-off from Lot 3 (Cloud Support) of the Crown Commercial Services G-Cloud 13 Framework, for the provision of managed support services relating to Microsoft Dynamics 365 and associated products.

Date: 30th September 2024

Report of: Head of Cloud & Platforms

Report to: Interim Chief Digital Information Officer

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The purpose of this report is to seek approval to award a contract to KPMG LLP by way of a call off contract from Crown Commercial Services Framework G-Cloud 13 for the provision of a managed support service for D365 and associated products (including Finance & Operations, the new corporate Finance system).

The Core Business Transformation Programme are currently in the final stages of implementing Microsoft Dynamics F&O as the new corporate finance system. Go-live is planned for 1st December 2024. Dynamics F&O is a business-critical system that requires resilient and robust post-go-live support arrangements including access to functional consultancy and advisory services to support quarterly updates, enhancements and ongoing continuous improvement.

In-house arrangements have been established to provide 1st line technical support for environment management, configuration/development and testing – however, given the business-critical nature of financial management and revenue collection, coupled with the solution being part of a wider technology stack being introduced into the Council, it has been agreed that external 2nd line support (for more complex defects) by way of an experienced, externally managed support service would provide greater resilience and responsiveness for up to 3 years after go-live, during which time Integrated Digital Service will commit to upskilling internal resource to the required level that achieves self-sufficiency.

The contract will run for a period of 3 years from 1st January 2025 to 31st December 2027, the maximum value being £400,000.

Recommendations

The Interim Chief Digital Information Officer is recommended to:

- a) Approve the award of a call-off contract to KPMG LLP ('KPMG') under Lot 3 (Cloud Support) of the Crown Commercial Services (CCS) G-Cloud 13 for a term of 3 years from 1st January 2025 to 31st December 2027 for provision of managed support services for D365 and associated products.
- b) Note that the proposed value of the agreement is £400,000 over a 3-year contract period.

What is this report about?

1. The award of a 3-year contract to KPMG to provide managed support services for D365 and associated products to ensure the Council can appropriately maintain and develop its D365 product suite, including D365 Finance & Operations (F&O) – the Council's new corporate finance solution.

What impact will this proposal have?

2. The Council have been working on a project to implement MS Dynamics D365 Finance & Operations (D365 F&O). The project is now in its final stages, with a planned go-live date of 1st December 2024. Integrated Digital Service (IDS) have recently onboarded experienced support resources via the contracted Augmentation Partner, to undertake 1st line environment management, development and testing support post go-live, however, this team is newly established and has not been involved in the project to date. The new team will also be required to work alongside existing, internal staff (some of whom previously supported FMS – the outgoing Finance system) to support knowledge transfer and upskilling to develop sustainable in-house resource provision.
3. The configuration and build of D365 F&O (and the design and development of 'add-on' solutions using MS Power Apps) has, in the main, been undertaken by the implementation partner. Given the business-critical nature of the corporate finance system; the high-risk of operational disruption coupled with potentially adverse impact on accounting integrity and accurate financial reporting that could arise from being unable to remedy defects in a timely period, the Council needs to ensure robust and resilient support arrangements are in place.
4. A post-go-live support contract with an experienced, external managed service will provide a mechanism for 2nd line support should the internal team not be able to identify and resolve defects, or should any gaps arise in the 'in-house' support arrangements (e.g. staff turnover).
5. Awarding a new managed support service contract means the Council has resilient and robust arrangements in place to ensure:
 - a) Timely support is provided in relation to enhancements, break-fix, problem resolution, data management
 - b) Upgrades, updates and developments are fully supported
 - c) Changes to configuration and enhancements to meet business needs can be undertaken in a timely manner
 - d) Access to strategic consultancy services enabling ongoing continuous development and improvements to ensure maximum exploitation of D365 and associated products, ensuring value for money is achieved from the investment made
 - e) Upskilling of internal resources, and that support is maintained in the event of internal resource gaps, as well as the provision of additional resource for 1st line support during peak times
 - f) System performance, data management and reporting and analytics can be optimised
 - g) Disaster recovery and back up arrangements are robustly supported from the outset

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

6. The health and wellbeing of the Council workforce and that of our partners is improved by having availability of the right tools to do the job. Dynamics F&O is a business-critical system that will be used by over 2,000 employees (including schools bases staff) who have responsibility for financial management activities, budget monitoring, budget reporting, purchasing, payments and income collection.
7. The financial challenges currently being faced by the Council is increasing the work pressures on Financial Services staff due to an increase in demand for financial analysis and intelligence. The work pressures are also increasing for staff in Revenues Services as the Council aims to achieve its income collection targets. Having robust system support arrangements in place ensures that any disruption to day-to-day business caused by system defects or outage is minimised and resolved in a timely manner.
8. The Council's zero carbon ambitions are supported because included in the aims of the Core Business Transformation (CBT) Programme (the over-arching programme) are ambitions to introduce more modern ways of working, to eliminate old-fashioned paper-based processes and harness digital, on-line, flexible ways of working that contribute to the reduction in home-to-office travel thus reducing carbon emissions.

What consultation and engagement has taken place?

Wards affected: City-wide

Have ward members been consulted?

Yes

No

9. Consultation has been undertaken with the CBT Board, IDS Leadership Team, Chief Officer, Financial Services (as Senior User), the conclusion of which resulted in agreement to award a seek an external supplier who can provide managed support services to ensure (1) resilient and robust support arrangements for D365 – specifically Dynamics F&O (2) effectively mitigate the risk of not being able to resolve defects in a timely period after go-live (3) maintain access to strategic consultancy to support continuous improvement.

What are the resource implications?

10. The cost of the 3-year support contract is £400,000. This was not factored into the original business case due to:
 - a) Uncertainty around timescales – the use of D365 and the wider product set was an emerging strategy at the time.
 - b) Part of the Dynamics F&O implementation project itself was to develop a Target Operating Model for post-go-live support arrangements, therefore requirements were not known at the outset.
11. Given the support arrangements include access to services that will help drive ongoing continuous improvement and relate to a wider digital transformation strategy, the options for funding meet the criteria for capital receipts allocation, which has been agreed with the Chief Officer, Financial Services.
12. This procurement exercise has utilised a CCS Framework Agreement and has been conducted in line with the Digital Marketplace buyers guide, using the CCS G-Cloud 13 Framework

Agreement, Lot 3 (Cloud Support). This section of the marketplace had a total of 14 suppliers. Search criteria for “Managed Service Dynamics 365 ITIL Azure” reduced the suppliers in this area to 5. A filter was applied to exclude “Re-sellers” which reduced the list of suppliers to 3. The shortlisted suppliers were carried forward to evaluation. Each were evaluated using the recommended scoring criteria on the basis of strengths and weaknesses relating to Supporting Information, Terms and Conditions, Service Definition Document, Pricing Document. This evaluation process resulted in the KPMG being the highest scoring supplier.

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

13. There is a risk that the level of support required from the supplier has been under-estimated. The value assigned to the contract has been determined by analysis of the type and level of support required. If additional support is required during the duration of the contract, over and above the initial estimate, contract variation procedures will be followed in accordance with the Council’s Contracts Procedure Rules (CPRs). Any other risks that arise during the term of the new contract will be managed and mitigated through regular Contract Management/Supplier Review Meetings. Upon contract award, IDS will assign a named Contract Manager to ensure appropriate contract and supplier management arrangements are undertaken in accordance with the corporate Contract Management Framework.

What are the legal implications?

14. This is a Publishable Administrative Decision which is not subject to Call In. There are no grounds for keeping the contents of the report confidential under the Access to Information Rules.
15. The framework has been established by a third-party (Crown Commercial Services) and the Council is able to procure contractors from this framework. The overarching framework terms and conditions, along with the call-off terms, have been reviewed and approved by the Procurement and Commercial Services (PACS) Legal Team, in line with CPR 12.2. The PACS Legal team is satisfied that the third-party framework was procured in accordance with the Public Contracts Regulations 2015, and any subsequent call-offs in line with the requisite terms are a compliant route to market.
16. The Interim Chief Information and Digital Officer should note the contents of this report when making their final decision and should be satisfied that the course of action chosen represents best value for the Council.

Options, timescales and measuring success

What other options were considered?

17. Option 1 - Do nothing. Solely relying on an internal support team is an option, however MS Dynamics F&O is newly implemented technology; it is typical following the go-live of a new solution, that bugs or minor defects are found. Given the business-critical nature of the Finance system (which underpins organisational financial integrity and provides platforms for billing and revenue collection), and the ongoing financial challenges that are increasing demands for accurate financial analysis and forecasts, it is essential that any bugs and defects are resolved in a timely manner. Establishing an additional support service contract with KPMG will ensure resilience, robustness and responsiveness of post-go-live support arrangements. Access to specialist D365 functional consultancy services is also essential to achieve ongoing continuous improvement (not just with the F&O solution, but the wider product set), this will ensure maximum value for money and return on investment is achieved.

18. Option 2 – Use of an Internal Service Provider (ISP). IDS is the internal service provider for system support arrangements and arrangements have been established for IDS to provide 1st line technical support arrangements. Establishing a contract with an external service provider will enable the provision of 2nd line (more complex) technical support (including the ability to supplement 1st line support during peak times i.e. year-end or cover for internal resource gaps).
19. Option 3 – Call-off from an existing framework (Recommended).
20. Option 4 – Undertake a new procurement exercise. Undertaking a new procurement exercise will attract additional cost over and above those already estimated and cannot be achieved within the time period required. The project team are currently focussed on the final stages of the implementation, with staff undertaking user acceptance testing and cutover planning, diverting resources away from the project will result in delays to the planned go-live, this would result in additional implementation costs.

How will success be measured?

21. IDS Service Desk will be able to achieve their established service targets in ensuring problems and defects are resolved in a timely manner and to the satisfaction of service users. Success will also be measured by ensuring ongoing continuous improvement, and that savings and efficiencies can continue to be realised to the satisfaction of the Financial Services Leadership Team.

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

22. A new contract needs to be in place in readiness for the go-live of MS Dynamics (F&O) which is currently scheduled for 1st December 2024. The Head of Cloud & Platforms will be responsible for ensuring successful mobilisation and ongoing Contract/Supplier Management.

Appendices

- None.

Background papers

- None.