Meeting Name:	Cabinet
Date:	17 June 2024
Report title:	Gateway 1 – Procurement Strategy Approval Replacement of the Enterprise Resource Planning System
Cabinet Member:	Councillor Stephanie Cryan, Equalities, Democracy and Finance
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	Not applicable

FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR EQUALITIES, DEMOCRACY AND FINANCE

To be a well-run council it is important to have the right systems in place to allow and facilitate back office operations such as HR and Procurement. Our current SAP system was procured in 1999 and is due to be decommissioned in 2030, with support functions being withdrawn in 2027.

This report is seeking cabinet to allow the council to go out to tender for a replacement system that will provide the council with a modern integrated platform to perform core business processes; it will provide a single source of truth for our most important master data and will help us improve our data integrity and quality, as well as our dashboards and reporting. It will also strengthen our data security - providing a secure line of defence against both internal threats such as fraud and misuse and exterior threats like cyberattacks and phishing scams and provide an opportunity to use AI technologies to allow the council to automate and streamline processes.

The ERP replacement programme will be a complete organisational transformation programme encompassing not only systems but also underpinning Southwark's 2030 ambitions.

RECOMMENDATIONS

That the cabinet:

1. Approves the procurement strategy for the replacement of the Enterprise Resource Planning (ERP) system, on the basis of a fully integrated ERP solution, via Crown Commercial Service (CCS) framework RM6194 Back Office Solutions for the Vendor, System Implementation Partner, Data Migration, and Reporting contracts, and via the replacement CCS framework for Back Office Solutions for archiving and support costs, and CCS framework RM6193 for Business Change Management, for a period of up to ten years

total duration with an estimated maximum value of £35.7m across all contracts as detailed in the financial implication section of this report.

2. Approves the approach that the council will procure a fully integrated ERP solution for the reasons noted at paragraphs 17-19.

3. Notes that this procurement strategy relates to seven contracts for the individual aspects of the requirements associated with the ERP system, each for the contract periods and contract values noted in paragraph 23.

4. Delegates approval to the Strategic Director of Finance to approve the contract awards to the successful supplier(s) in consultation with the Cabinet Member for Equalities, Democracy and Finance for the reasons noted in paragraph 61 of this report.

5. Delegates approval to the Strategic Director of Finance in consultation with the Cabinet Member for Equalities, Democracy and Finance to approve alternative procurement route/s for all lots if required for the reasons noted at paragraph 49-52 of this report.

REASONS FOR RECOMMENDATIONS

6. The reasons for recommendations within this report and the approach being for the replacement of the current ERP system are set out in paragraphs 44-47 of this report.

ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

7. Set out in paragraphs 20-24 of this report. (Section 'Options procurement route including procurement approach' of this report).

POST DECISION IMPLEMENTATION

8. Once approval for the recommendations has been received, the procurement of the contracts comprising the ERP programme will commence with the finalisation of requirements, tender documentation and detailed evaluation criteria, which will be approved by the ERP programme board. This will commence with the Vendor contract (Lot 1). The timescales for the procurement processes are set out in the tables at paragraph 56 of this report.

BACKGROUND INFORMATION

9. Southwark has used the current ERP system (Business Suite 7) for HR, Finance, Purchase to Pay and Payroll since 1999. The current SAP system will go out of support in 2027 and will be retired in 2030.

10. In 2016, a contract for five years was signed to commence on 19 January 2017 with an initial expiry date of the 18 January 2022. There is an auto-renewal clause in the contract which extends the contract for 12 months every year

(after that initial period) unless the relevant notice is given. Approval has been obtained to allow the contract to auto-renew until 18 January 2025.

11. The annual cost for the overall support of the existing ERP solution is unclear as costs are being incurred departmentally. The Programme Director is working closely with finance to understand the detail of this.

12. In March 2023, an Outline Business Case was drafted seeking approval for a Corporate Management Team (CMT) sponsor and an initial programme. A programme team has been created to commence the engagement and to recommend the progression of replacing the ERP system for the reasons set out in this paper.

SUMMARY OF THE BUSINESS CASE/JUSTIFICATION FOR THE PROCUREMENT

13. The role of digital technology in the way the council works and interacts with employees, citizens, and businesses is evolving and the current ERP solution does not support the essential way in which it now needs to work.

14. This includes the lack of any mobile interface, limited opportunities to interact with suppliers and customers digitally, a counter-intuitive user experience leading to poor compliance, and lack of visibility and reporting capability.

15. It is important to state that the ERP replacement programme will be a complete organisational transformation programme encompassing not only systems but also underpinning Southwark's 2030 ambitions. The programme will seek to include an archiving solution, business and cultural change and a support model post go-live.

16. The current ERP system will be unsupported from 2027 and unavailable to use (end of life) from 2030 so the need to commence a replacement ERP system should be imminent to allow sufficient time to procure, implement and embed the new system.

MARKET CONSIDERATIONS

17. ERP applications provide a single solution that comprises an array of functionality needed to underpin organisational core processes. By their nature ERP solutions can be procured as a single solution. Another option is a 'best of breed' solution which is an implementation of several specialist applications from specialist suppliers. This requires some technical integration to ensure the applications perform and produce the user interface of a fully integrated approach.

18. A market analysis and options appraisal were undertaken via Socitm to explore the potential of alternate ERP systems, (as outlined in GW0 and attached as an appendix to this report), covering both 'All in one' and 'Best of Breed' solutions. Several suppliers were invited to showcase their system. The analysis included reference calls with several local authorities, including

two London boroughs. Following the completion of this analysis, and for the reasons noted in paragraph 19 it is proposed to procure a fully integrated ERP system, therefore the procurement will not include Best of Breed solutions.

19. Southwark Council is recommending prioritising an ERP (Enterprise Resource Planning) and excluding Best of Breed solutions (BoB) for the current ERP Replacement System. This means that BoB vendors will be unable to bid in the procurement process. The reasons to prioritise ERP over BoB are as follows:

- ERP solutions provide a comprehensive suite of functionalities across Finance, Payroll, HR and Procurement. Whereas BoB solutions tend to specialise in the delivery of one (or a small number of) function well. For, example Xero for accounting, or Salesforce for Customer Relationship Management (CRM).
- ERP systems tend to centralise around a core database and platform which can be utilised to streamline operations, whereas BoB approaches used in the same areas can lead to silos and over complex integration requirements
- The ERP solution can benefit by holding the most important Master Data objects in one system (Employees, Customers, Suppliers etc.) whereas the BoB approach can lead to multiple master data sources and therefore lower data confidence
- Making this decision on ERP provides focus in the procurement process, by excluding vendors that cannot meet the requirements (consistent processes, single version of the truth etc.) allowing the evaluation team more time to focus on the right bids rather than working to exclude bids that will not meet the required standards.

20. Enterprise Resource Planning (ERP) solutions provide a secure line of defence against internal threats such as fraud and misuse and exterior threats like cyberattacks and phishing scams. ERP systems provide improved cyber security by:

- ERP systems offer more sophisticated protection by including built-in security measures and providing 24/7 monitoring of both internal and external activity.
- ERP systems can also respond to denial-of-service attacks, have built-in firewalls, automatically back up data, and have distributed data centres worldwide.
- By providing data security through standards-based security practices, risk and failover management, attack prevention, and processes for security advancement, they help to give greater assurance to cyber security.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

21. No material changes within the technology space have happened since the options appraisal was completed in summer/autumn 2022 on the council's options to replace the current ERP system, and the following options were considered:

Option	Summary appraisal
1. Do nothing	This is not an option. The current ERP system becomes unsupported in 2027 and no longer available for use in 2030, Therefore, a replacement ERP system needs to commence imminently to allow the procurement, implementation and bedding in of any new system as the system processes all payments and staff details.
2. Adaption/modules to the current system	This is not a viable option. This option would seek to add adaptions/modules to the existing version of SAP which would only be supported till 2027 and used until 2030 when it becomes end of life.
3. Implement the most current version of SAP	This is not a viable option. This would seek to implement a new SAP system, which SAP have confirmed there is no viable pathway to do this compliantly. Therefore, this would pose a procurement risk and a substantial increase in cost due to implementing the most current version of SAP, as this would be equivalent to implementing a new system.
4. Procure a fully integrated replacement cloud-based ERP system	This is a viable option. This would seek to procure a fully integrated solution to replace the current ERP system but would not allow the council the benefit of a best of breed solution. For the reasons noted in paragraph 19 this is a recommended option.
5. Procure a fully integrated best of breed ERP solution	This would seek to procure a best of breed i.e. the most suited system to meet the requirements of Southwark, for Finance, HR, Payroll and Procurement but would not allow the council to benefit from an integrated solution. For the reasons noted in paragraph 19 this is not a viable option.

22. As a result of the options appraisal, the recommended procurement route is option four.

23. Detailed costs associated to the ERP Replacement Programme are included in the closed report to ensure that the council test value for money from the marketplace and undertakes a transparent and robust procurement.

24. The table below confirms the number of lots and duration that are required to deliver the ERP replacement programme:

Procurement	Duration	Description
1. Vendor	Up to 10 years	This would be for the system and licences
2. System Implementer and Early Life Support	2- 3 years	This would be to implement the system and include Early Life Support (3 - 6 months subject to deployment phases). Reporting must include legislative and statutory reports and any report submissions to HMRC, VAT for example, and is likely to include no more than 50 customised reports.
3. Business Change	3-4 years	This would be to cover the business and people change affected by implementing a new system – including post go live activities for up to 12 months
4. Data Migration	2-3 years	This is to migrate (the extraction, transform and load process) the data from SAP to the new system and support business with data cleansing
5. Reporting	2-3 years	This is to build the reports across all the workstreams as required and integrations with other third-party solutions in place of the Council.
6. Support	7 years	The support would be to support the system when Early Life Support ends (to commence once the system is live).
7. Archiving	7 years	To ensure legacy data can be accessed via a read only solution (to commence once the system is live)

25. The above contract lots have been taken into consideration when considering the route to market as set out at paragraph 26.

Crown Commercial Services (CCS) Frameworks

26. Crown Commercial Service, as the government body responsible for government procurement, have put in place a range of framework contracts that enable public sector bodies to carry out accelerated procurement processes, in that they have already been subject to EU procurement law. Many local authorities have used these frameworks to procure both Finance and HR solutions as they provide flexibility and a set of predetermined terms and conditions that have been agreed with suppliers and negate the need for authorities to establish their own. Contract lengths as a call-off contract length can be from two to ten years except where specified below. Some examples of the available frameworks are set out below:

RM6259 Vertical Application Solutions

27. This framework replaced RM3821 (Data and Application Solutions) which was used by several local authorities to procure new Finance and HR systems.

RM6259 commenced 7 March 2023 and expires 6 September 2025. This framework has five lots of which Lot 1 would be the most appropriate as it allows the procurement of business applications. There are 37 suppliers within this lot covering System Implementation, Early Life Support, and Data Migration. Therefore, this could be an alternative option for Southwark for some of the Lots as detailed in paragraph 52.

<u>RM6100 Technology Services 3</u>

28. The framework commenced on 16 June 2021 and expires on 15 June 2025. It has eight lots of which Lot 2 would be the most appropriate to procure a System Implementer and other associated solutions. The downside of using this framework is that there are 242 suppliers on the framework and 130 suppliers within Lot 2 and only allows a contract duration up to seven years. Due to the restrictive contract duration of this framework and the volume of suppliers registered in this Lot, it is prohibitive in terms of time required to evaluate the suppliers and not all the required services are covered.

<u>RM6098 Technology Products and Associated Services 2</u>

29. This framework replaced RM6068 Technology Products and Associated Services and RM6147 Technology Online Purchasing Content. RM6098 commenced on 10 October 2023 and expires on 9 April 2026. It has eight lots with 156 suppliers on the framework. However, it does not cover all the services Southwark Council are looking to procure.

<u>RM6187 Management Consultancy Framework 3</u>

30. This framework commenced 21 August 2021 and expires 23 August 2025. It has nine lots which includes Business Change Management and could be a suitable alternative for Lot 3 Business Management, should further time be required to complete the procurement.

<u>RM6193 Software Design and Implementation Services</u>

31. This framework commenced on the 23 March 2021 and expires on 22 March 2025. Lot 1 has 55 suppliers covering a breadth of fully integrated and best of breed solutions. This framework covers all aspects of an ERP solution including Data Migration, change management and licences. This is not a recommended option for Southwark due to the timescale of commencing the procurement and the expiry date of the framework, therefore, it is unlikely that the procurement would complete in time. This route to market would not test value for money as the licences are procured through a third party and this would not be recommended for an organisation of this size.

<u>RM6194 Back Office Software</u>

32. This framework commenced on the 6 April 2021 and expires and 5 April 2025, has Lot 1 with 29 suppliers covering a breadth of fully integrated solutions and

best of breed solutions and provides for a clear split between the software provider and the supplier providing the professional services. This is a recommended option for Southwark as it allows for a separate contract with the Vendor and the System Implementation Partner.

G-CLOUD (CCS)

33. G-Cloud 13 framework, which commenced September 2022, does not allow for mini competition between selected suppliers, therefore it is difficult to go to market without opening the tender for all suppliers registered to bid. G-Cloud 14 is currently in market engagement with a view to the procurement commencing in Spring 2024.

34. The G-Cloud 13 framework has been established by CCS with a particular focus on the provision of cloud-based products and services. There are a significant number of suppliers on the framework and a review has provided assurance that these include all the likely suppliers that it would be desirable to consider for the provision of a new Finance and HR systems, including Best of Breed and fully integrated solutions.

35. The maximum call-off contract is three years with the option to extend for one period of 12 months making a maximum contract duration of four years, which is not long enough due to the nature of an ERP contract. Due to the large number of suppliers on the framework, the requirements would have to be carefully drafted due to the key search term which makes it difficult to navigate, in order to ensure that you review the range of service offerings you are interested in without embarking on a process that could become unwieldy, due to the number of potential options available within the catalogue.

36. The G-Cloud framework does not allow the authority to change the catalogue or service offering.

Digital Marketplace – Digital Outcomes 6

37. This framework expires on 27 June 2025 and if run alongside RM6263 (Digital Specialists and Programmes) replaces the previous Digital Outcomes and Specialist 5. There are over 3,200 suppliers offering services under digital outcomes. However, it does not allow the procurement of hosting of the solution and support of the system which are requirements of the council and therefore this is not a viable framework.

HealthTrust Europe ICT Solutions Framework

38. This framework is open to all public sector bodies including councils. The framework has several suppliers who can provide system implementation services and allows for a direct award to a supplier. This framework does not cover all the services that Southwark are procuring; therefore, this is not a recommended option for Southwark.

External procurement in line with the Public Contract Regulations 2015

39. Running a 'Find a Tender' procurement means that Southwark can develop their own specification to attract a variety of suppliers. The timescale of running this procurement is longer than using a framework, typically nine to twelve months excluding mobilising the selected supplier for the implementation.

40. A Find a Tender process would also allow the council to design a procurement process tailored to Southwark Council's requirements. This should ensure the proposed solution is aligned with the council's business strategy and efficiencies. However, due to timescales and frameworks available that fully meet the requirements of Southwark, this is not a viable option.

41. There are four main options which meet the requirements of the Public Contract Regulations 2015, two of which have been considered below:

Open procurement

42. Open procurement in its nature is open to all suppliers and is suitable for simple procurements where the requirement is straightforward. It is mostly used where the requirement can be clearly defined, and the cheapest supplier is a key factor. There is no pre-qualification for an open procurement process, therefore all suppliers must be evaluated with a short-listing process forming part of the procurement strategy and plan. This option could attract many suppliers making the evaluation a long and prohibitive process, but this is unlikely in today's climate when suppliers are less inclined to bid for a project for which they have little chance of being selected based on references, costs and functionality.

Restricted procurement

43. Restricted procurement is used to pre-qualify suppliers based on financial, technical and professional capability. The pre-qualification stage narrows the number of suppliers Southwark would have to evaluate as Southwark would only need to evaluate successful bidders at the Selection Questionnaire stage. There are risks with this due to the procurement regulations changing in October 2024 and the extra time this procurement route takes would leave less time for any new system to be implemented before the current system becomes unsupported in 2027.

44. There are frameworks available that meet Southwark's requirements therefore the use of a full Find a Tender procurement is not recommended.

Proposed procurement route

45. The recommended frameworks are RM6194 which went live on 6 April 2021 and is due to expire on 5 April 2025 and RM6193 which is due to expire 22 March 2025. The terms of the agreement allow local authorities to call-off from the framework for up to ten years. A call-off contract may be let anytime up to the expiry of the framework agreements.

46. The recommended route is to:

- run a further competition via CCS RM6194 Back Office Systems framework agreement to select an ERP Vendor (lot 1). This framework covers all phases and elements of an ERP replacement programme; such as the System Implementation Partner, Data Cleansing and Migration and has a clear separation of contract for the solution.
- run a further competition via CCS RM6193 Software Design and Implementation Services for Business Change Management.
- upon identification of the Vendor, run a further competition via the framework agreements for System Implementation Partner, Early Life Support (lot 2), Business Change Management (lot 3), Data Migration (lot 4) and Reporting (lot 5)
- run a further competition through the replacement to the CCS RM6194 Back Office Systems framework which is due to be awarded in January 2025 for Support (lot 6) and Archiving (lot 7).

47. The steps that will be taken to procure a successful supplier(s) are as follows:

- The procurement documents will be created in the required lots, as follows: -
    i. Vendor/ERP solution – Lot 1
    ii. System Implementation Partner and Early Life Support – Lot 2
    iii. Business Change Management – Lot 3
    iv. Data Migration – Lot 4
    v. Reporting – Lot 5
    vi. Support – Lot 6
    vii. Data Archiving – Lot 7

- Development of a specification, pricing documents and an evaluation matrix will be developed for each lot, creating transparency on pricing and clarity for supplier(s). This enables one or more suppliers to tender for each lot, meaning that one supplier could tender for all lots.

- Publication of document and invitation for supplier(s) to bid

- Evaluation of tenders for each lot

- Evaluation of demonstrations

- Contract awards

- Mobilisation of suppliers

- Contracts commencement.

48. Under the terms of the RM6194 framework, there is no requirement to award a contract if all bids fail to meet the council's requirements, although this outcome is considered unlikely: see the risk table at paragraph 54.

Alternative procurement routes

49. The recommended procurement route via CCS framework RM6194 has an end date of 5 April 2025 and RM6193 has an end date of 22 March 2025. As such, timescales for undertaking procurements to allow the award of a contract(s) before this are a key consideration of the programme.

50. Whilst the procurement timeline noted at paragraph 57-61 confirms that the council should be able to award lots 1, 2, 4 and 5 by the expiry date, 5 April 2025 and Lot 3 by the 22 March 2025, timelines may become constrained and alternative options are stated below:

51. Option 1: Should the timelines become constrained through the procurement process for Lots 2, 4 and 5 through CCS RM6194 then the council will consider deferring Lot 5 – Reporting only and continue with Lots 2 and 4. For the avoidance of doubt Lots 2, 3 and 4 will be concluded to the original timeline as set out at paragraph 60 and lot 5 will then be procured with Lot 6 and 7 and to the timeline set out in paragraph 61.

52. Option 2: Whilst the procurement timeline noted at paragraph 58 and 59 confirms that the council should be in a position to award lots 1, 2, 4 and 5 by the 5 April 2025 and Lot 3 by the 22 March 2025, there is (as noted in the risk table) a risk that, lots 2 – 5 may not be possible to allow the award of the contract before the end of the framework agreements given that the procurement of these cannot commence until identification of the Vendor solution (Lot 1). To ensure that the ERP solution can be implemented before the current system is unsupported, it is proposed that alternative procurement options are considered to deal with any potential delay. These alternatives include CCS framework agreements RM6259 Vertical Application Solutions for lots 2, 4 and 5, and RM6187 Management Consultancy Framework 3 or RM6194 if appropriate for lot 3.

53. Option 3: Should the council decide to commence Lots 2-7 in January 2025 due to delays, then the procurement route would revert to using the replacement framework of RM6194 Back Office Systems for Lots 2-7 that is planned to be live by January 2025.

Identified risks for the procurement

54. The following risks have been identified and assessed:

Risk No.	Risk identified	Risk level	Mitigation
1	Challenge to the procurement outcome	Low	The council will adhere to the requirements of the framework

Risk No.	Risk identified	Risk level	Mitigation
			agreement and Public Contract Regulations.
2.	Inadequate quality of submissions	Low	CCS has completed robust due diligence on all the suppliers included in on their framework agreements.
3.	Procurement process is delayed, and contract award does not take place before 5 April 2025 when the framework expires	Low/ medium	The council is robustly project managing the procurement process. If the evaluation period is not completed prior to the framework expiry date, it is proposed the following: 1) Should timelines become constrained through the procurement of Lots 2 – 5 through CCS RM6194/RM6193 then deferring Lot 5 – Reporting and procuring with Lot 6 and 7 as identified in paragraph 51 above 2) That alternative frameworks are utilised as identified in paragraph 52 3) If the Vendor solution (Lot 1) is delayed then lots 2-7 will be procured through the replacement framework of RM6194 that is planned to commence January 2025 as identified in paragraph 53 above
4.	Supplier ceases to trade.	Low	CCS completes credit checks to ensure all suppliers on RM6194/RM6193 frameworks are financially sound and will be done ahead of the award of contracts stage.
5.	Challenge to recruit and back-fill roles to ensure sufficient support through workshops, and evaluation	Medium	Commence the recruitment process early to ensure full secondment / coverage of staffing requirements.
6.	The data in the current ERP system may require extensive data cleansing prior to migration	Medium	Adopt a minimum data migration approach and archive/read only access to the existing data and/or commence the data cleansing early.
7.	Only one supplier responds to the tender	Low	Notifying all suppliers in advance on the framework that the intention to publish the Invitation To Tender (ITT). Consider releasing ITT earlier as draft documents to suppliers for information.
8.	Other Local Authorities have	Med	The issues experienced relate to the implementation rather than the

Risk No.	Risk identified	Risk level	Mitigation
	experienced issues within the ERP space.		procurement exercise. Additionally, it is important to adhere to the adopt rather than adapt methodology and have opted for a heavily customised solution as opposed to adopting standard ERP functionality. There will be an over-arching programme plan that is aligned across the organisation and all suppliers outlining the key deliverables.

Key / Non-Key decision

55. This report represents a key decision as it relates to a strategic procurement.

Policy Framework Implications

56. The council's ERP system plays a critical role in facilitating essential public services and enabling the achievement of priorities and commitments in the Council Delivery Plan for example value for money, managing finances and income and supporting staff.

Procurement Project Plan (Key Decisions)

57. The timescales in relation to the procurement within this programme are set out in the tables below.

Activity (All lots)	Complete by:
Brief relevant cabinet member (over £100k)	09/02/2024
Gateway 1 decision on the Forward Plan	19/02/2024
DCRB	04/04/2024
CCRB	11/04/2024
CMT	21/05/2024
Notification of forthcoming decision – Cabinet	10/06/2024
Approval of Gateway 1: Procurement strategy report	19/06/2024
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	27/06/2024

58. The table below shows the timeline for Vendor solution which will be procured as Lot 1

Activity	Complete by:
Completion of tender documentation	30/05/2024
Invitation to tender	27/06/2024
Closing date for return of tenders	24/07/2024

Activity	Complete by:
Completion of any clarification meetings/presentations/evaluation interviews	23/09/2024
Completion of evaluation of tenders	27/09/2024
Forward Plan (if Strategic Procurement) Gateway 2	01/06/2024
DCRB Review Gateway 2	03/10/2024
CCRB Review Gateway 2	10/10/2024
Notification of forthcoming decision	15/10/2024
Approval of Gateway 2 Contract Award Report	23/10/2025
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	01/11/2025

59. The table below shows the timeline for the following procurements:
    - Lot 2 – System Implementation Partner
    - Lot 3 – Change Management (with an accelerated process to allow award by 22 March 2025).
    - Lot 4 – Data Migration
    - Lot 5 – Reporting

Activity		Complete by:
Completion of tender documentation		30/05/2024
Invitation to tender		24/10/2024
Closing date for return of tenders		21/11/2024
Completion of any clarification meetings/presentations/evaluation interviews		11/02/2025
Completion of evaluation of tenders		20/02/2025
Forward Plan (if Strategic Procurement) Gateway 2		01/10/2024
DCRB Review Gateway 2		27/02/2025
CCRB Review Gateway 2		06/03/2025
Notification of forthcoming decision		11/03/2025
Approval of Gateway 2 Contract Award Report		19/03/2025
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision		28/03/2025

60. The table below shows the contract award dates for lots 1 through to lot 5.

Contract awards	02/04/2025
Add to Contract Register	03/04/2025
Place award notice on Contracts Finder	04/04/2025
Contracts start	01/05/2025
Initial contracts completion date	30/04/2028
Contracts completion date – (if extension(s) exercised)	30/04/2035

61. The table below shows the procurement timeline for Lot 6 support and lot 7 data archiving.

Activity	Complete by:
Completion of tender documentation	31/10/2024
Invitation to tender	01/05/2025
Closing date for return of tenders	16/06/2025
Completion of any clarification meetings/presentations/evaluation interviews	24/10/2025
Completion of evaluation of tenders	14/11/2025
Forward Plan (if Strategic Procurement) Gateway 2	01/08/2025
DCRB Review Gateway 2:	27/11/2025
CCRB Review Gateway 2	04/12/2025
Notification of forthcoming decision	09/12/2025
Approval of Gateway 2: Contract Award Report	16/12/2025
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	29/12/2025
Contract awards	09/01/2026
Add to Contract Register	12/01/2026
Place award notice on Contracts Finder	13/01/2026
Contracts start	24/04/2028
Contracts completion date – (if extension(s) exercised)	23/04/2035

62. The tables above show the estimated times for all the lots relating to this programme. The professional services contracts in relation to the ERP replacement programme (lots 2-5) are all likely to commence on the same date. The Vendor contract (lot 1) will either commence in advance of lot 2-5 or on the same date to be agreed with the Strategic Director. Lots 6 and 7 will commence after Lots 2-5. This report seeks delegation of the decision to award the contracts to the Strategic Director of Finance in consultation with the Cabinet Member for Communities, Democracy and Finance for reasons of expediency of the award of contracts in this programme.

TUPE/Pensions implications

63. It is possible that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) may apply should there be a change in supplier because of this procurement. Appropriate due diligence will be conducted before the procurement process commences. Suppliers will be advised of the outcome of this due diligence in the council's tender documentation.

64. There are no TUPE implications for the council as an employer.

Development of the tender documentation

65. The programme team will lead the development of the council's tender documentation, drawing on input from stakeholders across the council. This documentation will reflect the council's requirements for a replacement ERP system that includes Southwark 2030 and the Digital and Inclusion aspirations of the Council.

66. RM6194 has pre-determined terms and conditions that all suppliers will have accepted prior to joining the framework.

Advertising the contract

67. It is not necessary to advertise for these contract opportunities as this was done by CCS when the framework was initially established. In line with the requirements of the framework all suppliers on Lot 1 will be invited to bid.

Evaluation

68. The procurement will be split into seven lots of which could result in one supplier or up to seven suppliers being appointed. Suppliers will be evaluated upon quality, price and social value as detailed below:

Procurement	Weighting Price	Weighting Quality	Weighting Social Value
Vendor	55	40	5
System Implementation Partner and Early Life Support	35	60	5
Business Change Management	45	50	5
Data Migration	35	60	5
Reporting	35	60	5
Support	35	60	5
Archiving	45	50	5

69. The Vendor procurement has different weighting to other lots (with the emphasis on price) as the licences are more influenced by price not quality (than Lots 2 -7) and the council are seeking to procure an out of the box solution. Suppliers on the framework have already had to demonstrate financial standing and value for money to secure their place on the framework.

70. The council approach to weightings is 70% price, 30% quality. The programme is changing from the standard weighting due to the strategic importance of the system and the risk of suppliers artificially lowering the price. The final weighting has been approved by the Strategic Director of Finance in collaboration with the workstream Leads and ratified at the Programme Board.

71. An evaluation matrix will be developed to assess each bid against the council's specification. The evaluation process will be undertaken by a panel of internal stakeholders including both strategic and operational staff and may be facilitated by the existing programme team, some of which may be external to the council.

Community, equalities (including socio-economic) and health impacts

Community impact statement

72. There is no significant community impact arising from the proposals set out in this report.

Equalities (including socio-economic) impact statement

73. Under section 149 of the Equality Act 2010, the council has a duty when exercising its functions to have due regard to:
    - the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
    - the need to advance equality of opportunity between persons who share protected characteristics and those who do not
    - the need to foster good relations between those who have protected characteristics and those who do not.

74. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

75. The proposal to let a new contract for the finance, procurement, payroll and HR system is not anticipated to adversely impact on any of the duties defined in the Equality Act 2010.

Health impact statement

76. There are no significant direct health implications arising from the proposals set out in this report.

Climate change implications

77. There are no significant climate change implications arising from the proposals set out in this report, however, all suppliers for this agreement have committed to comply with the Procurement Policy Note 06/21: 'Taking account of Carbon Reduction Plans in the procurement of major government contracts and the council's Climate Change Strategy and action plan as required.

Social Value considerations

78. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured. The details of social value will be agreed within the ERP Programme and at the Board and then incorporated within the tender documentation.

Economic considerations

79. The current incumbent has been providing the ERP system since 1999, which will be unsupported from 2027 and unavailable to use by 2030. Procuring a replacement ERP solution will ensure value for money and provide an up to date

and more usable system. All suppliers will be asked to agree to pay relevant staff the London Living Wage or Real UK Living Wage as appropriate.

Social considerations

80.   There are no significant social considerations arising from the proposals set out in this report, however, all suppliers for this agreement have committed to comply with the Procurement Policy Note 06/20: 'Taking account of Social Value in the award of Central Government contracts. Social value is being worked on collaboratively within Southwark and will be incorporated within the procurement documents, however, it must be noted that social value is difficult to achieve within a procurement of this type.

Environmental/Sustainability considerations

81.   There are no significant environmental/sustainability considerations arising from the proposals set out in this report.

Plans for the monitoring and management of the contract

82.   The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The report author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.

83.   Annual Performance Reports will be produced and presented in line with Contract Standing Orders.

84.   The contract management once the system is live will be conducted by officers within the IT department. More details of the plans for the management and monitoring of the contracts (which may include suppliers signing up to a collaboration agreement) will be included with the contract award, GW2 reports.

Staffing/procurement implications

85.   This procurement exercise will be managed by external resources with support from internal resources. The cost for the external resources has already been included in the approval to set up a small programme team.

Financial implications

86.   As the council are recommending procuring a fully integrated ERP solution, the majority of the estimated cost cannot be capitalised, therefore, the council will need to set aside a significant fund for implementation costs. As we approach post implementation, a full review of the revenue budgets will be required.

87.   This report seeks cabinet approval of the proposed procurement strategy as outlined in the body of this report.

88. £22.75m is the estimated cost to deliver and implement an ERP replacement system with a phased Go-Live for the first three years including extensive Business Change Management. The £22.75m will include report development and associated automation based upon the content of the ITT and specific requirements.

89. The estimated cost for the initial three-year term is £22.75m. For the initial extension of five years, it is £10.05m and the remaining two-year term is £2.9m. The estimated total for ten years is £35.7m.

90. Lots 1-5 will commence at contract commencement except Lots 6 and 7 support, and archiving (see risk 3 relating to Lot 5 Reporting) which will commence towards the end of the implementation phase.

91. The table noted in the closed report shows the costs throughout the implementation phase of the programme estimated up to a three-year duration.

Legal implications

92. Please see concurrent from the Assistant Chief Executive – Governance and Assurance.

Consultation

93. There is no external requirement to consult on the proposals set out in this report. Internal consultation will be completed and has commenced with appointing Workstream Leads from Finance, Procurement, HR and Payroll who also sit on the Programme Board which aligns with the Technology and Digital Strategy 2024-2026.

Other implications or issues

94. Existing contract and dates to align to this programme may need to be considered and an extension of the current contract in the form of GW3 may need to be presented once the detail of the programme has been set out and agreed. Three months termination notice in writing is required to terminate the contract with SAP.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance (Fin 24/05)

95. The report recommends a competitive procurement exercise via CCS RM6193 and RM6194 Back Office Systems framework agreement for the replacement of the ERP system. The strategic director of finance notes the financial implications in paragraphs 86-91. The costs will be mainly borne by setting aside earmarked reserves to cover the three year implementation phase with potentially some small scope to capitalise specific elements of the project. The on-going revenue costs of the new system will eventually be part funded by savings from

discontinuing a number of existing systems with the remainder being a commitment for future year's revenue budgets.

Head of Procurement

96. The report seeks the approval from Cabinet of the procurement strategy in this report for the replacement of the Enterprise Resource Planning (ERP) system. This programme and strategy covers seven lots, including the Vendor, System Implementation Partner, Data Migration, Business Change Management, Archiving and Support associated for the ERP system. The report recommends use of Crown Commercial Service (CCS) framework agreement RM6193 and RM6194. The duration for each of the contract lots, and durations (of up to ten years) are set out in the table at paragraph 24 of the open report with an estimated aggregate value of £35.7m across all contracts.

97. The report also seeks approval to delegate authority to the Strategic Director of Finance to approve the GW2 decision for the award of contracts to the successful supplier(s) in consultation with the Cabinet Member for Communities, Democracy and Finance for the reasons set out in paragraph 61 of the open report.

98. The background and requirements associated with this programme and its contracts are set out in paragraphs 9-12 with the procurement options in paragraphs 21-44 and the recommended procurement strategy in 45-48 but the detail of paragraphs 49-54 should be noted given the framework timescales and complexity considered within the report. Risks associated with the procurement and their mitigations are set out in the table at paragraph 54, with the community, equality, health and climate change impact are detailed in paragraphs of the report.

99. The details of the tender information and evaluation weightings for each the lots are set out at paragraphs 68-71, with details of social value considerations and note on the challenges around obtaining social value for contracts of these types in paragraphs 78-81. The plans for the management and monitoring of the contracts are set out in paragraphs 82-84 of the open report.

Assistant Chief Executive – Governance and Assurance (Con/KM/20240424)

100. This report seeks the Cabinet's approval to the procurement strategy for the replacement of the ERP system through the CCS framework RM6193 and RM6194 Back Office Solutions, as further detailed in paragraph 1. As a strategic procurement, Contract Standing Order 6.4.3 (a) reserves this decision to the Cabinet, after consideration of the report by CCRB.

101. The nature and value of these services and supplies are such that they are subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR 2015). As noted in paragraph 46, the intention is to procure this service through the CCS RM6193 and RM6194 framework, and the latter's replacement for lots 6 and 7. This framework has been established following a PCR 2015 compliant tendering process and is established to allow local

authorities to use for their own requirements. The tendering requirements of the PCR 2015 are therefore satisfied. Paragraphs 68-71 set out the evaluation methodology to be used, which will need to accord with any CCS Framework requirements. As this procurement is split into seven lots, then the outcome of the procurement could see contracts with up to seven suppliers being recommended at Gateway 2 stage to deliver the programme of requirements.

102. To allow contracts to be awarded within the required timescales, authority is also sought to delegate the award of contracts to the Strategic Director of Finance in consultation with the Cabinet Member for Equalities, Democracy and Finance. Approval is also sought to delegate the decision on alternative procurement routes (in the circumstanced noted at paragraph 49-53) to the Strategic Director of Finance in consultation with the Cabinet Member for Communities, Democracy and Finance. Officers from legal services will review and provide advice to the Strategic Director of Finance in relation to any alternative frameworks, to allow that decision to be made.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 0 report IDM. April 2024	Online	
Link: Decision - Gateway 0 - Strategic Options Assessment for the replacement of an Enterprise Resource Planning system - Southwark Council		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Equalities, Democracy and Finance	
Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Jason Martin, Programme Director	
Version	Final	
Dated	6 June 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (For Housing contracts only)	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	**Yes**	**Yes**
Date final report sent to Constitutional Team	6 June 2024	