

Cabinet

25 February 2025

Enterprise Resource Planning (ERP) system replacement programme

For Decision

Cabinet Member and Portfolio:

Cllr B Wilson, Corporate Development and Transformation

Local Councillor(s):

Cllr

Executive Director:

J Britton, Executive Director for Place Services

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Report Status: Public (the exemption paragraph is N/A)

Brief Summary:

To seek commitment to replacing our 2009 implementation of SAP (DES – Dorset Enterprise System) with a ‘next generation’ Enterprise Resource Planning (ERP) system to transform our ways of working, as an integral part of the ‘Our Future Council’ transformation programme.

Recommendation:

That Cabinet authorises the Executive Director of Place, in consultation with the Cabinet Member for Corporate Development and Transformation, to commence the procurement of an Enterprise Resource Planning (ERP) solution, with the approval of contract award to be subject to a future report to Cabinet (estimated May/June 2025 with Full Business Case).

Reason for Recommendation:

Our future ways of working and financial sustainability will require core business processes, across our HR, finance and procurement functions, that are transformed to improve the user and customer experience; to improve the quality and availability of rich data and insights to inform strategic planning and operational delivery; and to take advantage of the opportunity to adopt automation and artificial intelligence to streamline processes to make them more agile and less costly to operate.

In addition to the transforming benefits from changing the ERP system, the incumbent SAP solution will become 'end of life' in December 2027, meaning the product would no longer receive functionality or security updates. Consequently, the incumbent solution will not be able to meet our future needs as it will increasingly become a hinderance to transforming our ways of working, limit our opportunity to become more cost effective, as well as having the potential to pose an unacceptable level of future cyber risk.

Whilst there are other ways to provide these core capabilities to the council, the feasibility work conducted as part of the developing the Outline Business Case has determined that this approach is best value for the council.

1. Situational context

- 1.1 The 'Our Future Council' change programme is seeking to transform our customers' experience of dealing with the council, delivering new ways of working which will realise a more sustainable cost of operation whilst continuing to deliver better outcomes for our communities and residents. A flexible, integrated, data-rich ERP platform using artificial intelligence (AI) and automation to streamline transactional processes is a central pillar to achieving our target operating model. Such a platform is essential capability for the continued operation of the council.
- 1.2 The 'Our Future Council' change programme, including the implementation of a new ERP solution, was approved at Cabinet on 28 January 2025. The programme plan (*Image 1*) shows the ERP replacement programme as an integrated element of our customer and efficiency focused transformation. This report and the accompanying Outline Business Case (Appendix 1) addresses the procurement and implementation of an ERP solution, as a discrete but integrated piece of this wider change programme.

1.3 Assuming Cabinet approval, we will move to procure a new ERP in March 2025, with a request to Cabinet to award contract expected with a Full Business Case in May/June 2025. Following that we have an indicative implementation phase of 18 months, followed by 3 months of post go-live support.

	Year 1 January 2025 - December 2025	Year 2 January 2026 - December 2026	Year 3 January 2027 - December 2027
Customer	Technology architecture, roadmap and channel strategy Customer model refinement and build Voice automation and initial RPA work Assessment of customer journey opportunities CRM mobilisation IS1 Contact Centre build Go-live IS1 Contact Centre Multiple phases of Customer journey delivery Develop communities for all strategy	Ongoing build of CRM (agile - sprint based approach based on blocks of design, build and release) IS2 Contact Centre build Go-live IS2 Contact Centre Implement communities for all strategy	Development/implementation of operational excellence capability
Commissioning and Procurement	Overarching model construct Commissioning Hub construct Third party spend controls and governance Identification of RPA and GenAI use cases People construct Go-Live C+P IS 1	Targeted process improvement activity & RPA/ Gen AI implementation Place construct Go-Live C+P IS 2 Establish operational excellence programme	Implement any changes identified in the Communities for All strategy
Business Support	GenAI and RPA use case development Business support model construct and build Targeted process improvement Phase 1 automation rollout Go-Live Business Support IS 1	Continued automation rollout, change capacity supporting adoption of GenAI tools and insights Continued development of Business Support Hub Establish operational excellence programme	Continuous improvement embedding Ad-hoc Operational excellence support
Strategic and Enabling	TMO Implementation Tech and Data strategy OD & Workforce Principles Asset review - acceleration of disposals and repurposing ERP mobilisation GenAI and RPA use case identification S+E Model Construct Licenses and application rationalisation Data infrastructure changes ERP implementation	S+E model IS 2 construct + build RPA Development and Implementation Build out colleague self-serve offer Agree changes needed to improve IAG GenAI, RPA and End-to-End Process Improvement activity	Go-live of IS 2 ERP Go live Feb 2027

Image 1: The Our Future Council programme high-level plan, highlighting the ERP implementation as a key element of the programme.

1.4 The scope of the solution covers a range of mandatory functions (e.g. finance, HR, payroll, source to pay – see image 2) plus optional functions (e.g. internal customer helpdesk, learning & development, health & safety). Many of these functions are enablers of the Target Operating Model ways of working within the scope of the OFC programme.

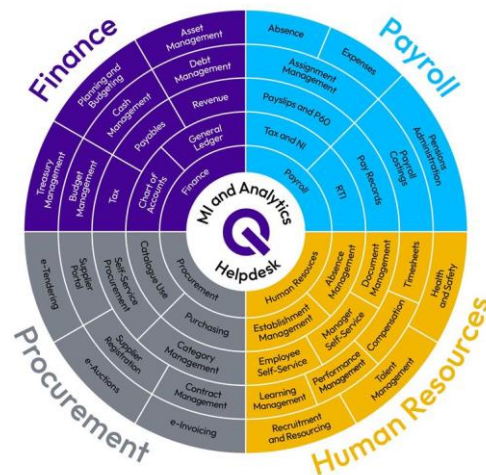


Image 2: Core scope for the proposed ERP solution.

- 1.5 There is overlap between the possible final scope of the proposed new ERP solution and the Customer Relationship Management (CRM) solution proposed as part of the wider OFC programme (e.g. internal customer helpdesk). Clarity on the boundaries and purpose of both solutions will be clarified as part of the work to begin to add finer detail to the OFC programme plan.
- 1.6 Additionally, the SAP version we use will become end-of-life as a technology product at the end of 2027. This means that SAP will no longer develop the functionality of the solution, nor keep it up to date with regards to change in operating systems (e.g. Microsoft Windows) nor cyber security risks. Consequently, the council should consider this position with sufficient time to action any proposed change before DES becomes unsupported by SAP. Whilst there is an option to mitigate this risk by contracting with a third-party vendor who will provide future maintenance of the current SAP solution, this is not considered a viable strategic choice.
- 1.7 The council's current ERP (Enterprise Resource Planning) solution (DES – Dorset Enterprise System) is SAP ECC6 technology, supporting the core functions of finance, human resources, source to pay and payroll. The council employs a team of ICT professionals to maintain and extend the system and support user interaction with it. The solution was put into place in 2009 by Dorset County Council and was adopted by Dorset Council at unitarisation in 2019. We operate a rolling annual support and maintenance contract with SAP.
- 1.8 The solution is at the centre of a wider eco-system of solutions and services. Some solutions provide ancillary processing for the SAP solution. The council has also developed various bespoke extensions to the core system over the years. In addition, the council uses third-party solutions for elements of service which might in the future be delivered by the new ERP solution.
- 1.9 DES is used directly or indirectly by all employees and managers of the council through a self-service model, or mediated access for those employees who do not use ICT as part of their job. Some traded customers also use DES, for example Care Dorset.

2. **Outline Business Case context**

2.1 A working group of professional leads from Finance, Procurement, HR and ICT have worked with SOCITM Advisory to produce an Outline Business Case. SOCITM Advisory is a consultancy working for the public sector and has significant experience of collaborating with local authorities to develop the business case for ERP change and readying the organisations for their implementation.

2.2 As part of developing the OBC we have:

- Engaged with other local authorities to hear of their experiences of changing and implementing ERP solutions in the recent past.
- Engaged with the Extended Leadership Team to establish the strategic drivers and context for the proposed change in ERP solution. The strategic drivers are: Improved user experience driving consistent adoption of the solution; efficiencies and savings contributing to future financial sustainability; data and insights to inform strategic planning.
- Engaged with the wider organisation to help identify 'pain points' to resolve with the change in system.

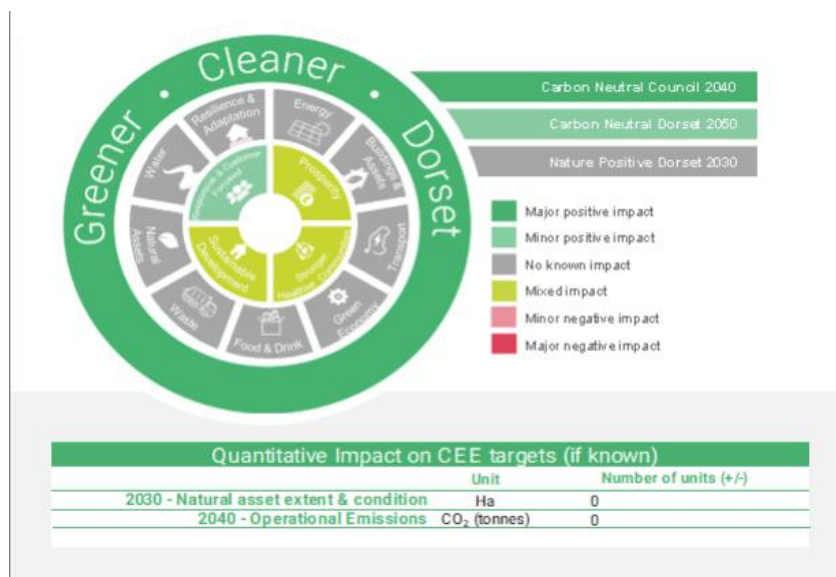
3. **Financial Implications**

3.1 The direct benefits case for the new ERP solution is as yet unclear. It is recognised that the solution will undoubtedly deliver efficiency benefits from automating and streamlining existing business processes, as an integral part of delivering the new 'target operating model' proposed within the 'Our Future Council' programme. The exact profile of those benefits will be confirmed in the Full Business Case, due once we have completed the proposed procurement exercise, confirmed the scope of the deployment and chosen the system implementation partner.

3.2 Specific cost reductions are anticipated from rationalising technology solutions which in future will form part of the scope of the new solution. The new solution will be 'software as a service', meaning the council will no longer need to provide and maintain hardware infrastructure (servers) on which to run the ERP solution, reducing the revenue cost of borrowing required to maintain the hardware asset.

- 3.3 However, despite the unconfirmed benefits case, there is a significant degree to which this solution provides essential ‘utility’ to the council, without which it could not function effectively.
- 3.4 The total estimated cost of a new ERP solution is estimated at £11.7m one-off implementation investment (included in the draft capital programme working papers) with £17.8m in operating costs over a 12-year lifecycle (with operating costs for the incumbent solution over the same period, assuming no change, equating to £18.4m).

4. **Natural Environment, Climate & Ecology Implications**



The hardware on which our current ERP solution is hosted by Dorset Council comprises about 30% of our on-premise datacentre footprint. The move to the cloud will result in lower direct energy use, moving these consumptions up into our supply chain where it is expected these will be more efficient due to economies of scale and more modern, purpose-built facilities. Reducing the workloads in the council’s operated datacentres will also have a consequential impact on energy consumed in environmental management (e.g. air cooling).

5. **Well-being and Health Implications**

None

6. **Other Implications**

The impact on our workforce as a result of adopting new ways of working and streamlining operational processes is as yet unknown – this will be understood and clarified once we have determined the solution and final scope of the implementation.

7. **Risk Assessment**

7.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: High

Residual Risk: Medium

8. **Equalities Impact Assessment**

See Appendix

9. **Appendices**

Appendix 1 – Dorset Outline Business Case

Appendix 2 – Equalities Impact Assessment

10. **Background Papers**

Dorset ERP Options Appraisal Financial Model

11. **Report Sign Off**

11.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s)