Report for: Audit Committee – 18th July 2024

Item number: 8

Title: E-Procurement Systems Replacement Project update

Report authorised by : Nathan Pierce, Chief Digital & Innovation Officer

Lead Officer: Jenna Scott-Brining, Head of Digital (authored by Dominic Mason, Project Manager, dominic.mason@haringey.gov.uk)

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key Decision

1. **Describe the issue under consideration:**

    1.1 The CPO (Chief Procurement Officer) attended the Audit Committee to present an update on outstanding audit recommendations which were primarily reliant on the implementation of the new e-procurement system.

    1.2 The CPO was requested to pass to Digital Services actions for a status update on the e-procurement systems replacement Project:

    Action 1- Project Progress (in section 6.4 below)
    Action 2- Risks and Issues (6.5 below)
    Action 3- What are the savings in consolidating the two systems? (6.6 below)

    1.3 This report intends to cover the information requested.

2. **Cabinet Member Introduction**

    N/A

3. **Recommendations**

    3.1 That Audit Committee note the progress to date and the mitigating actions against risks and issues.

    3.2 Please further note that at the proper time the external audit by Mazars in June 2024, will be presented to the Committee and the recommendations followed.

4. **Reasons for decision**

N/A

5.   Alternative options considered
N/A

6.   Background information

6.1 Project Business Case:
A project has been put in place to deliver a new procurement platform for Haringey that shall:

- Offer supplier onboarding and management
- Offer procurement services including DPS (Dynamic Purchasing System) (a type of procurement) as a subset of procurement
- Offer contract management
- Offer automated invoice processing (inc OCR (Optical Character Recognition) (optical character recognition for scanning of invoices) and a bureau service for non-compliant invoice management)
- Be compliant with LBH processes or offer processes that Haringey can adopt to be compliant
- Publish data to an external source, nominally Power BI (LBH's platform for analysing data), to allow for aggregation of all contracts and contract data across LBH
- Interface with SAP (our Finance platform) for payments management

6.2 Summary timeline:
6.2.1 The project will deliver the full functionality in September 2024 (the contracted date referred to as 'Long Stop 2'), in time to decommission current procurement platforms. It is anticipated that LBH will then undertake a 3month minimum 'bedding in phase' with increased oversight due to new working practices and new teams/structures in Procurement to administer centralised procurement above £25k.

6.2.2 The project should therefore be viewed as completing in Dec '24, but the staffing of the project will change as it passes from delivery, into Early Life Support, then into BAU. Digital Services will only provide First Line Support (i.e. will take calls and advise on system availability/connectivity), user support will be provided by the supplier and the Global System Administrators (GSAs) in Procurement.

6.2.3 The key activities on the timeline are:

Data migration – migrating data from other platforms into the new platform. Against a specific set of gated activities to analyse, deliver and ingest the data into the new platform.
Interface with SAP (Finance platform) – This is a specific engineering activity so that suppliers can get paid via our Finance platform. This activity is being undertaken with a third party that supports our platform, through the summer.

Configuration of the new platform – the new system consists of a series of procurement workflows i.e. click this button to do that, complete that step by entering data, in a pre-structured sequence. Broken into two deliverables in July and September.

Training and Learning activities – GSAs (Global System Administrators) in Procurement first, then all Procurement users, then General Staff training. Communications to the organisation are in place are throughout the project, including presentations to the Leadership Network, and specific activities are planned in, starting with Global System Administrators (GSA) training for Procurement users in July.

All activities and sub-activities are tracked and updated against the detailed project plan.

6.3 Governance:
6.3.1 The project team meet daily and with the supplier on a weekly basis. The project team and the impacted services meet on a weekly basis and as a working group monthly. The working group contains individuals from Procurement and Finance Admin (both the impacted services of the new service).

6.3.2 The project reports into the Digital Services Portfolio Board and its own board, the S2P (Source 2 Pay) Steering Group, monthly.

6.3.3 Please note that the project governance has been reviewed by an external audit by Mazars. The results and mitigating actions will be supplied at the proper time, to offer a degree of assurance that project and surrounding governance is in place and effective.

<u>**Action</u>   <u>1:**</u>

6.4 Project progress:

6.4.1 Without over-simplifying the project has five distinct phases:

- Data transfer, closely followed by
- Core functionality assembly
- Workflow configuration within the core functionality
- Onboarding, training, and learning for users
- Early life support (ELS)

In summary:
6.4.2 Data transfer: All but one data set has now been transferred to the new system. The final data set is in-flight and in triage with the source system supplier. The core S2P functionality has been assembled by the supplier.

6.4.3 Core functionality assembly: The supplier has configured key components of the system such that Global System Administrators (GSAs) from the service can be

onboarded into workflow configuration. Additional functionality assembly is deliverable in releases, against the project plan and via staged gates.

6.4.4 Workflow configuration: We have the Global System Administrators (GSAs), the Procurement users of the new platform, being trained and then they will further be supported by the supplier to jointly configure the platform.

6.4.5 Onboarding, training, and learning for users: Once trained the GSAs, will then undertake the necessary comparison of the system with the existing LBH Procurement policies and requirements.

6.4.6 This will form the necessary change management scope to change the organisation from existing policies, technology, and processes to the new state.

6.4.7 Early Life Support: The project will then into a review period by all parties against the go-live criteria and go live to all users and pass into a state called Early Life Support, in which the supplier has an agreement with us to triage all issues under a different SLA (Service Level Agreement,) (service level agreement, time, availability) to BAU (i.e. day to day running).

6.4.8 Project documentation (extracts):

6.4.9 The following diagram visually shows the blocks of functionality (and change) required to be delivered. This is used in the weekly alignment meeting between the functional leads and the supplier:
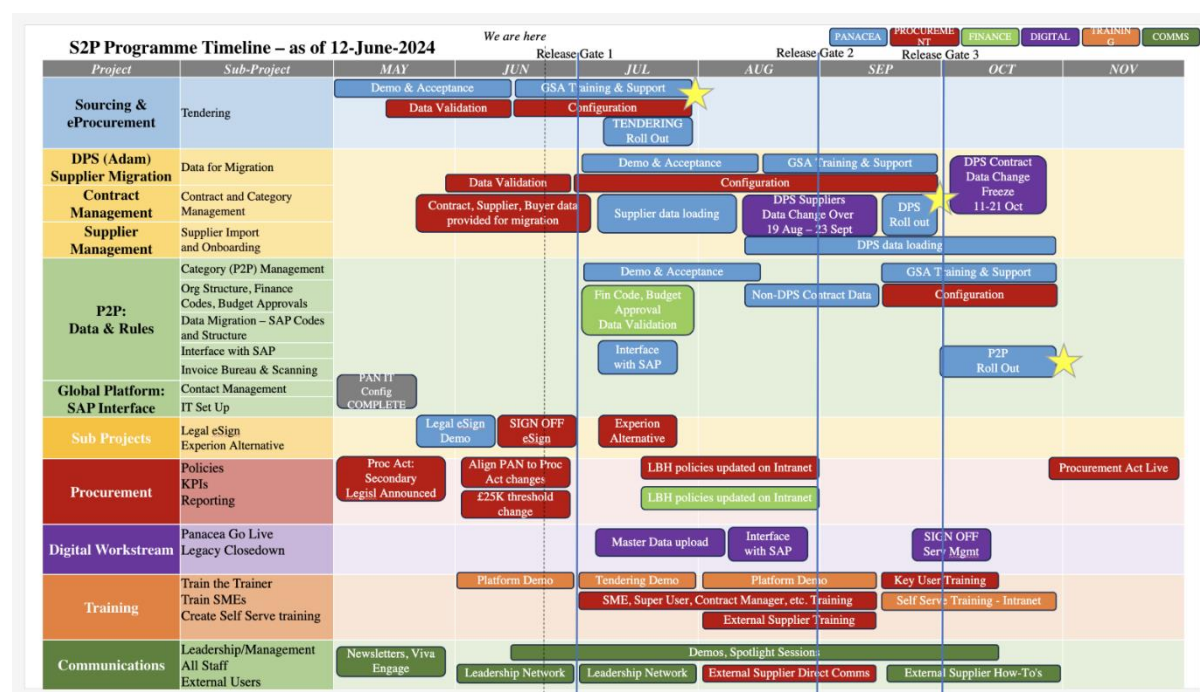
6.4.10 The major functionality is delivered by a series of gated activities; an example is given here, and detailed project plan is available. This is used to have a control process around the delivery of the technology:

Workstream - Sub-Project	Task / Activity	Status	Comments
Release Stage Gates	Stage Gate 1 - Tendering		
	Data Reviewed	In Progress	Data Upload Schema review being undertaken
	Change Freeze (Tendering Data)	In Progress	TBD (*5pm 11-Oct - 9am 21-Oct*: Under review 13/06)
	HCPS Vendor Data Loaded	Not Yet Started	Target: 19th August 2024
	HCPS Contract Data Loaded	Not Yet Started	Target: Monday, September 2, 2024
	Configuration Underway	Not Yet Started	
	Go / No Go Decision Provided	Not Yet Started	
	Stage Gate 2 - DPS		
	Data Reviewed	In Progress	Data Upload Schema review being undertaken
	Change Freeze (DPS Contract Data)	In Progress	TBD (*5pm 11-Oct - 9am 21-Oct*: Under review 13/06)
	DPS Vendor Data Loaded	Not Yet Started	Target: 19th August 2024
	DPS Contract Data Loaded	Not Yet Started	Target: Pending outcome of schema review part II (12/06)
	Configuration Underway	Not Yet Started	
	Go / No Go Decision Provided	Not Yet Started	
	Stage Gate 3 - P2P		
	Data Reviewed	In Progress	Data Upload Schema review being undertaken
	Change Freeze (P2P Data)	In Progress	TBD (5pm 19-Aug - 9am 23-Sept: Under review 13/06)
	P2P Vendor Data Loaded	Not Yet Started	Target: 19th August 2024
	PO Data loaded	Not Yet Started	Target: Monday, September 2, 2024
	Configuration Underway	Not Yet Started	
	Go / No Go Decision Provided	Not Yet Started	
	Go Live Cutover		
	Procurement preparedness	Not Yet Started	
	Finance preparededness	Not Yet Started	
	Digital preparedness	Not Yet Started	
	Go / No Go Decision Provided	Not Yet Started	

6.4.11 The associated high-level change management activities are here. These are used to have a user-centric view on the delivery, educating the services and reinforcing training and learning, to allow the project to deliver a return on investment:

High Level Deliverables	MAY	JUN	JUL	AUG	SEP	OCT
	Test Releases: eProcurement Module Communicate Impact - Internal Staff Roadshows to SME, Early Adopters	eProcurement Tendering Module: Data & Rules, DPS £25K Threshold policy begins Communicate Impact - Internal Staff, External Suppliers Roadshows to SME, Early Adopters Tendering Training	Configure Tendering Data and Rules CSO Policy Changes, longer Cabinet approval lead times Communicate Impact - Internal Staff, External Suppliers Roadshows	Data Prep and Demo for DPS: DPS data migration, Contact and Supplier Management IT Set-Up Communicate Training Plan - Internal Staff, External Suppliers Train SMEs, Trainers, Key Leads, BRMs	DPS Module Testing and Release User & Data Migration Code of Practice change, all DPS on Panacea Update Intranet Communicate Impact - Internal Staff, External Suppliers DPS Training and Configuration	P2P Testing and Module Release: Category and Contact Management, Org Structure, P2P Data Migration, SAP Interface FULL PLATFORM LIVE Embed in culture Aggregate Spend Policy in effect, T&C's change Compliance Reporting begins Close down programme, transition to BAU

	MAY	JUN	JUL	AUG	SEP	OCT
Communication Plan	INTERNAL Communicate Impact (Newsletters, Blog, Face to Face Team meetings, Demos)	INTERNAL Communicate Impact (Newsletters, Blog, Face to Face Team meetings, Demos) Communicate Policy Changes Invite Suppliers to Register	INTERNAL/EXTERNAL Communicate Impact (Newsletters, Blog, Face to Face Team meetings, Demos) Communicate Policy Changes Invite Suppliers to Register	INTERNAL/EXTERNAL Communicate Training Plan Communicate Impact (Newsletters, Blog, Face to Face Team meetings, Demos)	INTERNAL/EXTERNAL User and Data Migration actions Policy Changes Intranet Updated	Embed in culture
Sponsorship Roadmap	Leverage wins to drive change	Get and leverage quick wins to drive change Embed in culture	Leverage wins to drive change	Empower people for change	Business benefits through behaviour changes Reinforce benefits	Embed in culture
Coaching Plan	Refer back to strategy and non-negotiable decisions (legislation, compliance, council goals, etc.)	SME/Champion/Early Adopter coaching Leadership 1-on-1 coaching	Prepare 1-pagers, demos, key references	SME/Champion/Early Adopter coaching Leadership 1-on-1 coaching	SME/Champion/Early Adopter coaching Leadership 1-on-1 coaching	PLATFORM LIVE
Training Plan	Refine Training Plan Identify Train the Trainers	SME/Early Adopters Training	Schedule training	Conduct training	Conduct training Update Intranet references	Transition Training to BAU
Resistance Management	Team presentations Early Adopter Support	Team presentations Early Adopter Support Survey	Team presentations Early Adopter Support	Team presentations Early Adopter Support	Team presentations Early Adopter Support	Survey

Measure Change Adoption

Action 2:

6.5 Risks and issues:

6.5.1 The keys risks and issues (from the central log, reviewed monthly with the Digital Services Portfolio Board) is reproduced and summarised below:

Risks	Impact and Probability	Mitigations	Next action date
As the service has yet to see a lot of the platform functionality (there is no demo platform available) then if requirements are not met via UAT Acceptance there will need to be re-work	High impact but low probability. Hand-holding workshops with the supplier will assure super users and service reps.	1. GSAs will be trained in end-to-end functionality. 2. Ensure drop dead dates are communicated. 3. Ensure the impact of missing these dates is understood by key stakeholders. 4. Internal workshop to be held to identify gaps. Noted that "Requirements" should be based on organisational outcomes, not like for like processes.	True-up following training completion end July.

Solution must align to new Procurement Act to fulfil LBH requirements to comply with the Act	High impact but low probability. Highly likely to be met as Panacea will not have a solution to meet marketplace demand otherwise.	Review with supplier against Act's published timeline, shared objectives and in context of Procurement Improvement Programme (i.e. people and processes)	Subject to review post-election but maintain timeline resulting in analysis during configuration and delivery for Oct/Nov.
Data Analysis resource requirement. There is currently little detail of this.	High impact and high probability. It is likely than in multiple activities across deployment, we will need additional data analysis resource, we just cannot predict where.	It is likely that the transfer of one data set into the solution will require intervening actions by a data analyst, e.g. Purchase Order data transfers or DPS contract data, but we do not know what / where yet.	Reviewing status of large PO and DPS data sets to see if answer is a) automatic, b) partially automatic or c) manual. Result may be short term provision of DA resource.

Awaiting formal decision on DPS data for July 30th S2P board. |
| Integration with SAP (Finance platform) | High impact but low probability. Supplier already has integration with SAP | Supplier and SAP partner, Support Revolution, will update existing integration with SAP | Development worked being scoped, estimate is for 20 days commencing in August. |
| Further extension of Adam DPS platform and ongoing licence costs | High impact and high probability. Service will require an extension but negotiation with Access Group should be able to reduce annual fees. | Decision required at Board as to ongoing use of Adam DPS platform by DPS service. The risk arises from inability to export a functional data set from Adam DPS. | Risk and cost impacts to be discussed at Project Board on 30th July. |

Issues			
Several issues have collectively arisen simultaneously	Already happened	The Head of Digital, CDIO and HoP (Head of Procurement) have	Subject to creation of action plan and Board agreement on 30th July.

that have been escalated from the Project Board, as they raise the risk profile of the project. These include but are not limited to the size of the supplier delivery team; the experience of the delivery team in a project of this scale; key technical processes for data import and re-assembling LBH data into the platform; the timescales set by the supplier for supply of data and other materials from LBH.		met to discuss the issues and mitigations in depth. It is clear we require a significant set of mitigations and so SRO has commissioned an urgent appraisal to fully understand the impacts. This has senior oversight and agreed at the project board on 28th July with accompanying additional governance.	
The supplier referred to data submission timelines that were discussed four months before the project started. LBH had not mobilised a project team until the contract was signed.	Already happened	Both the supplier, services and project team have been working hard to mitigate for this misunderstanding. The services at Haringey deserve commendation for their response to an issue with a very practical, astute set of activities to deliver data and information to the new deadlines.	In regular mitigation and a topic in every Project Working Group and Board meetings
Misalignment in Procurement platform and data strategy between Procurement and Services, some of	Already happened	TDA board escalated an action for Heads of service to discuss and will be included in the urgent appraisal	Meeting booked for 23rd July to report back to S2P board 30th July. Result will be strategic alignment on the use of

whom utilise other platforms		mentioned in the previous risks.	platforms outside of Panacea for S2P activities.
Contract extensions and other mitigations have had to be put in place with existing suppliers	Already happened	Due to contract negotiation extension, the contract for HPCS has had to be extended by one year. Due to lack of suitable data from the Adam DPS platform, its use will need to be extended while we re-establish DPS procurements as Dynamic Marketplaces in the new eprocurement solution	Extensions have been approved or will be approved via suitable governance at the correct level of delegated authority.
Project comms has been hampered by the lack of a test/sandbox system or demo platform	Already happened	Lack of a demo platform means we must hold off using the platform until training with the procurement Global System Admins. This is far from ideal, but we have been able to clearly express how, when the GSAs are trained, that training will result in ownership and training of other staff in turn. This will be included in the urgent appraisal mentioned in the previous risks.	The project has re-planned comms and training activities accordingly.

Action 3:

6.6 What are the savings through consolidating the two systems?

6.6.1 The savings associated with the new system are below. There can be (post project) further revenue benefits in future as more systems are decommissioned into a single S2P system at Haringey.

Revenue Funding and Spend Summary	FY 2025/26
Funding	£405,874
Expenditure	£373,272
Total Surplus/(Deficit)	£32,602

6.6.2 However, the measurable benefits associated with the project include:
- A single performant platform reducing staff time spent in end-to-end procurement management.
- Unified Supplier, Procurement, Contract Management, Invoicing data, and ability to manage by associated Procurement KPIs (Key performance indicators), correcting non-compliant behaviour rapidly at source.
- Single source, spend analysis data for value-for-money comparison by categories with internal and external data sets.

(Note: Categories are universal Procurement 'categories of spend' e.g. Health is a category > Single-use medical supplies is a sub-category > Nasal Covid tests is a subcategory. Procurement categories of spend exist for everything from pens to road-building supplies, from laptops to part-time music teachers.)

7.   Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes?

7.1 Haringey Council is engaged in several initiatives that are aimed at supporting its ambitious goals for the borough and their residents. To deliver this demanding agenda in a challenging environment, with limited resources, Haringey intends to become an exemplary modern council and seeks to ensure that the work it does is efficient, astute and is focused on and responsive to Haringey's customers, residents, and businesses.

7.2 The Haringey Procurement and Contract System (HPCS) and "adam dynamic purchasing system" (adam DPS) are due to expire soon. The PWC Procurement Technology options review paper for Haringey reported that these systems were introduced following minimal engagement with end users and departments, and both have their own set of challenges, including:

• Difficulty of use,

• Lack of integration with other systems and,

• Insufficient data outputs.

7.3 The report continued to explain that engagement with these systems have been low, with end users using manual workarounds to speed up the process resulting in

difficulties with the procurement process. As a result, end users spend an excessive amount of time on procurement activities, such as setting up retrospective purchase orders to pay for work that has already been carried out.

7.4 Furthermore, the two main systems cost circa £280k collectively per annum therefore affordability is a factor in considering this procurement.

7.5 In addition, the Council requires a cost-effective replacement for the poorly configured OpenText supplier invoice handling system, and associated integration via SAP VIM.

7.6 In the light of the ambitions and challenges mentioned above, the project will replace or improve the following:

7.7 "Supplier, procurement, contract management and vendor payment management solution."
For the sake of clarity and brevity the term **"procurement solution"** or **"solution"** shall be used in place of "supplier, procurement, contract and vendor payment management solution" for the remainder of this document.

8. Carbon and Climate Change

N/A

9. Statutory Officers comments (Director of Finance (Procurement), Head of Legal and Governance, Equalities)

Finance

The project is expecting to deliver a small ongoing licence and support saving of £32.6k pa from 2025/26 from rationalising the current procurement platforms into a single new platform. The Risks and Issues section above (6.5.1) highlights the potential need to extend the Adam DPS platform and licence which if required will delay the realisation of this saving. The possible need for short term data analysis resource has also been flagged as a risk. This cost if required would be met from the project contingency.

Procurement

Strategic Procurement notes the contents of this report. The project is currently undertaking a process of looking at the sourcing functionality and the system controls available. Once these have been applied testing will commence.

Strategic Procurement have reservations as to what extent all of the functionality stated in the requirements can be delivered, as it has not been

possible to view all the functionality and the end-to-end process of the commercial lifecycle. An urgent review by Digital Services of the project and the system capability vs the requirements is about to commence.

Assistant Director of Legal & Governance

The Annual Governance Statement that is being tabled at Audit Committee on 18 July 2024 notes that - "The Council has recognised weaknesses with regards procurement and contract management arrangements in recent years, some incidences of Fraud have occurred in 2023/24 and there have been new regulatory requirements applied from 2023.". This report provides Audit Committee with an update in relation to progress made in procuring and implementing a new system that should better enable the Council to manage its procurement, contract management and payment processes.

The terms of reference for Audit Committee include –

> (b) To monitor the effective development and operation of risk management in the council.
> (c) To monitor progress in addressing risk-related issues reported to the committee.
> (d) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
> (e) To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
> (f) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
> (g) To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
> (h) To monitor the counter fraud strategy, actions, and resources.
> (i) To review the governance and assurance arrangements for significant partnerships or collaborations.

Accordingly, reviewing the progress made in relation to the new procurement solution is within the remit of Audit Committee.

Equality

The council has a Public Sector Equality Duty (PSED) under the Equality Act (2010) to have due regard to the need to:
• Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
• Advance equality of opportunity between people who share protected characteristics and people who do not
• Foster good relations between people who share those characteristics and people who do not

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex, and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

This report is as per the previous Committee request for an update on the implementation of the new e-procurement system.

This report does not have any Equality implications.

10.   Use of Appendices

N/A

11.   Background papers

N/A