

# **Title of report: Re-procurement of Unit 4 Business World**

**Decision maker: Cabinet member finance and corporate services;**

**Director of Strategy and Corporate Services**

**Decision date: 24 March 2025**

**Report by: Head of ICT and Digital**

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

## **Wards affected**

(All Wards);

## **Purpose**

To seek approval for Unit 4 Business World, our Enterprise Resource Planning (ERP) system, to be reprocured and rehosted away from the physical Herefordshire Council ICT Network and be cloud hosted instead as a Software as a Service (SaaS) product.

## **Recommendation(s)**

**That:**

- a) **That the Cabinet Member for Finance and Corporate Services agrees to the draw down of £278k from revenue funds to reprocure the Council's Enterprise Resource planning System (ERP);**

- b) The Cabinet Member for Finance and Corporate Services delegates authority to the Director of Transformation and Strategy to take all operational decisions, which will include procuring a new cloud-based software service, to implement recommendation a.**

### **Alternative options**

1. Maintaining the hosting of our Unit 4 Business World ERP system on the Herefordshire Council Network which is set to lose product support in 2026. Not recommended. This would prove catastrophic to delivering core business functions and would result in Herefordshire Council missing out on product developments. This includes the ability to update the system in alignment with any legislative changes and present potential exposure to cyber security risks.

### **Key considerations**

2. The Unit 4 Business World ERP system was procured by Herefordshire Council in the 2010/11. The underlying technology hosting the system is now approaching the end of its supported life, with supplier support ceasing completely in 2026.
3. The Unit 4 Business World Enterprise Resource Planning [ERP] system supports many of the critical administrative processes within Herefordshire Council including Finance, Payroll and HR management. The system was procured by Herefordshire Council in the financial year 2010/11 and the underlying technology hosting the system is now approaching the end of its supported life. The current supplier will cease support for on-premises solutions completely in 2026. This contractual agreement provides for required licencing and support, including modern cloud-hosting of the existing system which removes dependency on legacy local server systems entirely. Maintaining a supported environment and continuity of service is integral the availability of the platform thereby ensuring the continued delivery of Council services to residents and businesses in Herefordshire and important continuity and stability for critical HR and Finance functions.
4. In December 2016, a Section 101 Delegation Agreement was signed whereby Herefordshire Council, in partnership with Hoople Limited, would provide certain ERP functions to Rutland County Council. This agreement was initially set for a five-year term and was subsequently extended in 2021 for an additional ten-year period. This proposal aligns to the obligations required by this agreement.
5. An ERP system is integral to ensuring the continued delivery of Council services to residents and businesses in Herefordshire as it performs financial transactions and human resources processes for the Council. It also holds the councils contract register.
6. The current on-premises hosting of Unit 4 Business World system is set to lose support in early 2026. This would result in the Council missing out on product developments and the ability to update the system in alignment with any legislative changes.
7. Using an ERP system that is out of product support can expose the Council to various risks, including security vulnerabilities, increased costs, and reduced functionality. It is essential for the Council to move to a replacement to ensure continued efficiency, security, and compliance.
8. Migrating the Business World ERP system from on premises to a cloud hosted version will be a smooth transition given that both systems use the same tables and technological language. This will also provide data assurance for the Council and business continuity through the migration process.

9. Moving to a cloud-hosted version of Business World ERP will provide enhanced agility and scalability, allowing the Council to seamlessly add new modules or functionalities as its needs evolve. Furthermore, it will ensure heightened security and compliance, with the provider maintaining highly secure servers and regularly applying critical security patches to safeguard council data from emerging threats.
10. In order to move to a cloud-hosted version of Business World ERP, Hoople limited would procure services from the KCS framework which allows for a direct award on the council's behalf. As Hoople Limited provides IT services to the council as well as other shareholders and customers of Hoople that use the Business World ERP, doing a joint procurement will result in savings to the council by jointly purchasing the system with others

### **Community impact**

9. The Council Plan 2024-2028 sets out the ambition to improve the way we use technology across our services by embracing new technologies, test ideas and develop a culture of innovation to improve services and deliver value for money. Connected to this plan is a stated aim to further embrace digital technology to save costs and improve flexible working practice and service delivery, which directly supports our transformation priority. Change and transformation to the organisation is a central transformation aim to enabling the council to be fit for the future and efficient working.

### **Environmental Impact**

10. This move is in line with our Digital, Data and Technology Strategy which promotes the use of a cloud first approach, wherever feasible and economically advantageous, will create environmental benefits such as reduction in CO2 emissions and a decrease in electrical consumption. This will also contribute to a reduction in physical hardware, decreasing the need for disposal of servers and equipment.

### **Equality duty**

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

12. There have been no complaints from our staff about using Business World ERP software as it is designed with a user-friendly interface that supports accessibility features such as screen readers and keyboard navigation, and users can customize the interface to suit their needs, including adjusting font sizes, colours, and layouts for better readability. Furthermore, it meets

international accessibility standards, such as the Web Content Accessibility Guidelines (WCAG).

## Resource implications

13. Spend the requested budget of £278k to re-platform the Business World ERP to a cloud hosted solution within 2025/26.
14. To bid for additional total funds of £276k across the 2026/27, 2027/28 and 2028/29 revenue budgets as set out below in the Revenue Budget Funding table. Project delivery will be supported by Hoople Ltd as the council's technical partner and will be managed with oversight by Herefordshire Council's Director of Transformation and Strategy and the Head of ICT and Digital
15. The Business World ERP replatforming project tender is being run via a further competition through the KCS framework ensuring compliance with procurement regulations.

Proposed Revenue Costs	2025/26 £'000	2026/27 £'000	2027/28 £'000	Future Years £'000	Total £'000
Unit 4 Hosting and Licencing costs	246	246	246	246	984
Migration Costs (one-off)	32				32
<b>Total</b>	<b>278</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>1,016</b>

Revenue Budget Funding	2025/26 £'000	2026/27 £'000	2027/28 £'000	Future Years £'000	Total £'000
IT Base Budget	147	151	154	157	609
Earmarked Reserve	108				108
MTFP Bid		95	92	89	276
Balance to be mitigated within Corporate Services	23				23
<b>Total</b>	<b>278</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>1,016</b>

## Legal implications

16. The KCS framework is a compliant framework that under the Public Contract Regulations 2015. This framework is accessible to contracting authorities. Therefore, both the council and Hoople Ltd, as a company wholly owned by contracting authorities, can carry out a compliant mini competition or direct award from the providers on the framework.

## Risk management

Risk	Mitigation
<p>Risk - Technical capability to meet the needs of the transition to a replacement ERP system strategy.</p>	<p>Mitigation - Additional investment / third parties may have to be used where technical capability does not exist in house or within existing partnership arrangements.</p>
<p>Risk - Ensuring the transfer of the current ERP to one that is hosted in the cloud.</p>	<p>Mitigation - The activity is monitored through performance framework process; formal decision made through the council's governance process.</p>
<p>Data Migration and System Integration            Risk - Ensuring a smooth migration from the current ERP system to the cloud-based SaaS solution, including data integrity, compatibility with existing systems, and potential downtime.</p>	<p>Mitigation - A clear data migration plan, including testing phases, backup protocols, and contingency planning, will be detailed.</p>
<p>Business Continuity &amp; Service Disruption            Risk - Potential service disruptions or operational downtime during the transition, impacting financial operations, HR, procurement, and other ERP-dependent functions.</p>	<p>Mitigation – Implementation of a phased transition approach with fallback options to maintain business continuity. Ensure robust training and change management strategies will be in place.</p>
<p>Cybersecurity and Compliance            Risk - While moving to a supported cloud-based ERP mitigates outdated security vulnerabilities, it introduces new risks such as reliance on external cloud providers, potential data breaches, and compliance with GDPR and other regulations.</p>	<p>Mitigation - Contractual assurances with the vendor regarding data security, compliance standards (ISO 27001, Cyber Essentials+), and incident response procedures will be attained. Regular audits and penetration test results will be carried out.</p>
<p>Financial Risks &amp; Vendor Lock-in            Risk - Long-term financial implications, including subscription costs, potential hidden fees, and dependence on a single vendor (risk of future price increases or service limitations).</p>	<p>Mitigation - Ensure the procurement contract includes cost control measures, flexibility clauses, and exit strategies should the service fail to meet the Council's needs.</p>
<p>Stakeholder Engagement &amp; User Adoption            Risk - Resistance to change from staff or difficulty in adapting to new workflows, which could impact operational efficiency.</p>	<p>Mitigation - Comprehensive user training, phased rollout, and ongoing support mechanisms will be put in place to ensure a smooth transition and adoption.</p>
<p>Opportunity – As our current ERP will be out of support in 2026, remaining with this product would be detrimental for the council as it means that it will stop receiving patches, bug fixes, and security upgrades. This leaves the system vulnerable to cyber-attacks, as any newly discovered</p>	<p>We have the opportunity to instead move to a new ERP that is supported so will provide heightened security and compliance, with the provider maintaining highly secure servers and regularly applying critical security patches to safeguard our data from emerging threats.</p>

vulnerabilities will not be addressed by the vendor (Unit 4).

The risks identified in this report have been appropriately recorded on the relevant risk register and escalated in line with the Council's Risk Management Strategy. Governance and monitoring arrangements are in place to ensure these risks are actively managed throughout the transition and ongoing operation of the new ERP system.

## Consultees

17. Political group were consulted on 14th March 2025. The following comments were noted:

- a. Moving to a cloud-hosted version of Unit 4 Business World ERP would reduce the likelihood of local outages caused if the Herefordshire Network went offline. This is because cloud-hosted platform providers do not have a single point of failure; if there is an outage, an alternative system to host the product would come online if one of the platforms unexpectedly went offline.
- b. The particulars of ICT support, system availability thresholds and the timescales to resolving issues on the new system would form part of the contract terms for the procurement of the cloud hosted Business World ERP from Unit 4.
- c. There is an increase in the annual ERP costs to procure this cloud-hosted version of Unit 4 Business World ERP as a replacement for our current ERP which is hosted on our network.
- d. The Council would enter a 4-year term for the cloud-hosted Unit 4 Business World ERP solution, and prior to this new contract lapsing (in 2029), the Council plans to undertake a programme to conduct market research on what other ERP products could meet our needs and assess what alternative ERP solutions we could move to post-2029.
- e. We are allowing Unit 4 to host our Council data that will be used by the Business World cloud-hosted ERP product, as the supplier has provided us with contractual assurances regarding data security, compliance standards, and incident response procedures.

18. The above feedback will be considered, where appropriate, and will be shared with the wider stakeholders in ICT and Transformation.

## Background papers

None identified

## Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 06/03/2025
Finance	Wendy Pickering	Date 03/03/2025
Legal	Sarah Halliwell	Date 05/03/2025

Communications	Luenne featherstone	Date 03/03/2025
Equality Duty	Harriet Yellin	Date 03/03/2025
Procurement	Claire Powell	Date 03/03/2025
Risk	Paige McInerney	Date 06/03/2025

Approved by	Rosie Thomas-Easton	Date 07/03/2025
-------------	---------------------	-----------------