

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY 12 JUNE 2018

Title of report	AUTHORITY TO AWARD THE CONTRACT FOR REPLACEMENT FINANCE ICT SYSTEMS
Key Decision	a) Financial Yes b) Community No
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Purpose of report	The report seeks Cabinet approval to procure a replacement ICT system for Finance, and to delegate authority to procure and award a contract to the Strategic Director of Housing and Customer Services in consultation with the Portfolio Holder, and approve funding associated.
Reason for Decision	<p>The level of expenditure in this contract exceeds the authority threshold in the Scheme of Delegation.</p> <p>To ensure the continuity of provision of the Finance service to the council.</p>
Council Priorities	Value for Money.
Implications:	
Financial/Staff	A robust scrutiny of the bids will allow the most economically advantageous bid to be selected, achieving an efficient service for the Council over the life of the Council. Improved systems will facilitate both better use of staff time and service enhancements.
Link to relevant CAT	Not applicable
Risk Management	There is the risk of ever increasing maintenance fees being incurred for the existing ageing and sub-standard finance system if a new system is not procured.

Equalities Impact Screening	Not applicable
Human Rights	Not applicable
Transformational Government	Not applicable
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	CLT – May 2018
Background papers	<p>Deloitte Report – Modernising the Finance Function, CLT 16 May 2018</p> <p>Replacement Finance Systems Business Case (exempt under Paragraph 3 of Schedule 12a)</p>
Recommendations	<p>THAT CABINET</p> <ol style="list-style-type: none"> 1) AGREES TO REPLACE THREE OF THE COUNCIL'S FOUR FINANCE RELATED SYSTEMS 2) DELEGATES AUTHORITY TO PROCURE AND AWARD A CONTRACT FOR REPLACEMENT ICT SYSTEMS FOR FINANCE TO THE STRATEGIC DIRECTOR OF HOUSING AND CUSTOMER SERVICES IN CONSULTATION WITH THE PORTFOLIO HOLDER; AND 3) APPROVES TO FUND THE SYSTEM REPLACEMENT FROM £100K ALREADY SET ASIDE IN THE CAPITAL PROGRAMME, £200K FROM THE REVENUE UNDERSPEND ARISING ON THE 2017/18 FINANCIAL YEAR AND £200K FROM UNALLOCATED RESERVES

1.0 BACKGROUND

1.1 Currently, the Finance service utilises four main systems in conjunction with one another:

- Total Finance (General Ledger, Creditors and Debtors)
- Corvid Paygate (BACS Transmission)
- Capita (Cash receipting).
- MHR iTrent (Payroll)

- 1.2 The Total Finance system has been in place since 2003, and the system now presents itself as out of date and resource intensive in respect of staff time taken to manage and manipulate data for day to day finance activities. The system is on a rolling 12 month contract with a 6 month termination notice period. Total provided the council with 6 months' notice of a price increase from the 1st October 2018. The annual support costs are due to increase significantly in 2019/20, with 2018/19 seeing a half year effect of this increase.
- 1.3 In April 2017, Deloitte were engaged to carry out a Finance Function Review. The scope of the review included the following 4 key themes:
- 1.3.1 To identify ways to modernise the Finance function, ensuring it is correctly resourced, provides value and is designed to support future growth plans and strategic aims;
 - 1.3.2 To review the effectiveness of the current legacy ICT systems and identify technology solutions that could modernise processes;
 - 1.3.3 To appraise all aspects of the Finance Function;
 - 1.3.4 To identify options for cost saving within finance whilst maintaining or improving effectiveness, ensuring the function can contribute to its share of efficiency savings.
- 1.4 The outcome of the Deloitte review in respect of Finance systems (1.3.2) was that the current core Finance system, Total, should be replaced to achieve cost, data and process synergies, and that integration with the other finance systems (as listed in 1.1 and 1.2 above) should also be included.
- 1.5 The Cash Receipting System (Capita) has been in place since 2009 and BACS transmission systems (Corvid Paygate) since 2010. Both of these systems are currently also on a rolling 12 month contract with a 6 month termination notice period. Following review, officers have concluded that there is an opportunity to integrate these systems in a more efficient way via procurement of a new holistic system and therefore procurement of one holistic finance system solution will drive better value and efficiencies than the current, separate system approach.
- 1.6 This report does not propose that the fourth system, MHR iTrent (Payroll) is included in this procurement exercise. This is because the council only recently awarded this contract to Insight (subcontracted to MHR) in August 2016. The contract is due to expire in August 2021, with the option to extend for a further two years. This system will therefore not be part of the procurement process for the replacement finance systems.
- 1.7 Pending Cabinet approval, written notice to terminate the arrangement will be issued by the Council to Total, Corvid and Capita to provide them with 6 months' notice as required by the existing contracts in early 2019.
- 1.8 All recommendations arising from the Deloitte report were considered by CLT in May 2017 and work to review and implement the suggested improvements are well underway via the finance service's team business plan for 2018/19.

2.0 PROCUREMENT ROUTE

- 2.1 It is the intention to purchase the replacement Finance systems through Crown Commercial Services using their Corporate Software Solutions Framework Agreement. To comply with the requirements of the framework, a further competition exercise has to be undertaken to select the preferred supplier. This procurement route is in line with the council's Contract Procedure Rules.
- 2.2 The indicative timetable for the procurement and implementation of the replacement finance systems is as follows:

	Milestones	Dates
1	Cabinet Approval	12 June 2018
2	Invitation to Tender Issued	18 June 2018
3	Supplier Briefing Event	26 June 2018
4	Deadline for Tender Submissions	13 July 2018
5	Evaluation Period	16 July – 10 August 2018
6	Supplier Demonstrations	20-23 August 2018
7	Final Evaluation Period and Selection of Preferred Bidder	24-31 August
8	Customer Approval, Standstill and Contract Signed	September 2018
9	Implementation	October 2018 – September 2019
10	Go Live	October 2019
11	Support Contract	October 2019 – September 2024

- 2.3 The contract period will be for 5 years after which licensing and support of the software will continue via a separate procurement route. The framework itself only permits contracts of five years in length.

3.0 FINANCIAL IMPLICATIONS

- 3.1 As part of the development of the 2018/19 capital programme, £450k unsupported borrowing was provisionally approved to fund the replacement of the finance system with a commitment that a separate report would be submitted to Cabinet for consideration in due course.
- 3.2 Since approval of this provisional capital budget in February 2018, officers have reviewed the market for suitable solutions whilst developing the specification of requirements and have determined that a cloud-based, hosted solution is more likely to meet the needs of the council and be a more cost effective solution than a purchased, managed system. Hosted, cloud based systems are for the most part, accounted for as revenue expenditure since they constitute an expense, whereas in contrast, on premise solutions constitute the acquisition of an intangible asset and therefore meet the definitions of capital expenditure in line with International Accounting Standards and the CIPFA Code of Practice.
- 3.3 As a result, it is requested that Cabinet agree to retain £100k capital provision to support implementation costs which will meet the definitions of capital expenditure, and that £200k of the additional surplus arising on the 2017/18 financial year is contributed to a further

£200k identified and set aside as part of the annual review of earmarked reserves. These proposals will take the total provision for this system replacement to £500k.

- 3.4 Existing revenue position exists for the ongoing annual licence support and maintenance costs for the three existing finance systems, which is approximately £45k per annum. As detailed in 1.2 above, additional costs in excess of the provision for 2018/19 will be incurred as a result of a price increase from Total for the main finance system.
- 3.5 Soft market testing undertaken has highlighted that annual revenue licence costs of the new system will be in the region of £70k per annum. Annual licence fee costs for the first year of the new contract will be covered by the costs of the project funding and future years' budgets will be amended for future years to take account of this.
- 3.6 The project has a wide range of tangible non-financial benefits associated with improved functionality including:
 - The ability of budget holders to access up to date information to inform day to day business decisions;
 - The ability of managers to self-serve by addressing first-line questions and analysis of a financial or budgetary nature on their own;
 - Improved management understanding in respect of finance through access to relevant, meaningful and timely data;
 - Improved timescales associated with distributing financial information to management;
 - Freeing up of professional finance officer time to allow focus on data analysis, proactive management of key business decisions, supporting commercial developments and value adding pieces of work;
 - Enablement of cross-service data-sharing, enabling multi-service review of financial forecasts, contributing to more accurate forecasting;
 - Automation of key manual processes, reducing officer time to focus on value adding activities.
- 3.7 The project has a targeted saving of £20k per annum based on a future review of the existing structure of the Finance team. This review will be undertaken by the Head of Finance upon implementation of the new system and it is anticipated that there will be savings in relation to the establishment cost, based on automation of manual processes currently completed outside of the system. At this stage in the process, the estimated FTE and related savings cannot be defined, however an annual recurring saving of £20k has been initially been targeted against this.