

The replacement of the Financial Management System

Report by the Chief Finance Officer

1.0 Summary

- 1.1 The report seeks Member approval to let a contract for the new Financial Management System following an EU compliant procurement.

2.0 Background

- 2.1 The current contract for the Council's Financial Management System (FMS) expires in November 2017. No extension is permitted to the current contract under the legislation. With this in mind, a capital budget for the implementation of a new FMS was approved in December 2015 of £565,000.
- 2.2 A procurement exercise has been carried out, jointly with Horsham Council, to choose a replacement FMS. Implementation of the new FMS system will run concurrently with the old system, with the intention of a go live date in the summer of 2017 (potentially 1st August 2017). The procurement offers the Councils an opportunity to purchase a more up-to-date system which will meet requirements of the digital strategy.
- 2.3 The Financial Regulations state that:

No expenditure shall be incurred on capital projects of £150,000 or over included in the Capital Investment Programme without the acceptance by the Joint Strategic Committee or Executive or appropriate Executive Member of a detailed report setting out capital costs and revenue consequences, how successful investment will be measured and the anticipated completion date.

This report meets the requirements of the Financial Regulations.

2.4 The details of the results of the tender process can be found in Exempt Appendix 1.

3.0 Proposals

3.1 The Council currently uses the Total Mobile Financial Management System (FMS) to provide accounting and financial reporting functionality. The original contract was let in November 2004, with a new 3 year licence agreed from November 2014 - November 2017. The current system is hosted locally. However, there are limitations to the system:

- it is inflexible in service redesign,
- it is limited in its reporting requirements,
- transactional processing capabilities are not efficient, and
- it does not facilitate Budget Managers to proactively access their financial information.

It is essential that an effective and robust financial system is in place. No extension to the contract beyond ten years was permitted under the terms of the contract which expires in November 2017.

3.2 A joint procurement tender exercise was undertaken with Horsham District Council to purchase a new FMS, with the intention of moving to an off premise 'cloud' based system in line with the Council's digital strategy, so that equipment and service management is effectively removed from the Council's premises. This will resolve a number of resilience issues as well as providing a better fault resolution service.

3.3 Joint procurement with another Council also opens the potential for opportunities in the future to joint working. It is clear for the bids received that a joint implementation will offer both Councils a reduced implementation cost.

3.4 Looking ahead, there will also be strategic advantages to a joint implementation. Both Councils currently only have one systems accountant which exposes all the Councils to risk if they are absent for an extended period. A joint implementation will offer the Councils more resilience in system development, maintenance and administration. In addition, it may be possible to identify efficiencies once the system is 'live' through the delivery of shared services. However at this stage, we do not know whether this is practical. The Councils have reserved the right to award to a separate supplier.

3.5 The aim is to implement a modern, fit for purpose fully integrated, strong information management system, which has the capability of handling organisational requirements that include multiple programs, projects and activities. An easier to use FMS will also improve the budget holder's ability to self-serve and improve the efficiency of the financial service.

4.0 Legal

- 4.1 s1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority
- 4.2 In entering into any contracts, the Council is to comply with the Public Contract Regulations 2015, and its own Contract Standing Orders as detailed in the Constitution.

CSO 8.2 states that:-

Where any proposal is envisaged which would require a Contract or Contracts under these Standing Orders, the Director shall be authorised to proceed provided that:

- (a) There is sufficient approved revenue or capital budget to fund the proposed contract throughout its duration;
- (b) The Procurement team has confirmed that best value has been obtained for those contracts where the value exceeds £5,000;
- (c) The procurement portal is used to obtain quotations or to carry out a tendering exercise unless it impractical to do so;
- (d) The Council's legal representative is consulted about:
 - The most suitable form of contract for all finance and operating leases;
 - The most suitable form of contract for any potentially complex arrangement;
 - The most suitable form of contract for all other contracts where the value exceeds £25,000; and
- (e) The key requirements detailed in standing orders are fulfilled.

In all other cases, a written report shall be presented by the Director to the respective Executive or Executive Member stating the nature of the proposal, an estimate of the anticipated direct and indirect costs thereof and the implications of the proposal upon the Capital Programme and Revenue Budget of the Council and recommendations as to the way in which the proposal should be carried out (including recommendations as to the mode of tendering or as to whether it is a Specialist Contract).

As the annual revenue costs contained within the successful tender are more than the current authorised budget, by CSO 8.2 a report to the Executive Member is required to approve the letting of the contract.

5.0 Financial implications

- 5.1 The approved capital budget for this project is £565,000 and there is an annual revenue budget of £37,980 for maintenance of the Financial Management System.
- 5.2 Whilst the implementation costs for the duration of the contract can be contained within the approved capital budget, the annual software maintenance costs are higher than the approved revenue budget; this is because the most economically advantageous system having regard to the MEAT criteria was a Cloud based service. The Council had invited tenders from both hosted and cloud based providers. It is noted however that the Council will eventually generate savings through the move to the Cloud as outlined in the recent report entitled Moving to the Cloud which was considered by the Joint Strategic Committee on the 13th July 2016. Full details of the financial implications of the successful bid are contained within the appendix.
- 5.3 In addition to the contractor's implementation costs, the Council will incur additional staffing costs to ensure that the project is delivered on time. Overall the cost of the implementation is expected to be £450,000 which can be contained within the approved budget.

6.0 Recommendation

6.1 It is recommended that the Executive Members for Resources:

- i) **release the capital budget; and**
- ii) **approve the award of the contract to Tenderer C noting that the additional revenue for ongoing software maintenance will commit the Councils to growth of £9,310 in the 2017/18 revenue budget and onwards throughout the duration of the Contract and that the Council will be able to meet the commitment it makes for expenditure making this contract award.**

Local Government Act 1972

Background Papers:

Report to the Joint Strategic Committee on 13th July 2016 - Moving to the Cloud

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Schedule of Other Matters

1.0 Council Priority

- 1.1 The procurement of a new modern Financial Management System underpins the object of modernising the Council's digital capability as outlined in wave catcher 3: 'Becoming more adaptive Councils'

2.0 Specific Action Plans

- 2.1 The purchase of a 'cloud' based system will enable to Council to achieve the objectives of the digital strategy.

3.0 Sustainability Issues

- 3.1 Matter considered and none identified.

4.0 Equality Issues

- 4.1 Matter considered and none identified.

5.0 Community Safety Issues (Section 17)

- 5.1 Matter considered and none identified.

6.0 Human Rights Issues

- 6.1 Matter considered and none identified.

7.0 Reputation

- 7.1 A good quality financial management system which enables the Councils to control expenditure and pay suppliers on time enhances the Councils reputation for financial probity.

8.0 Consultations

- 8.1 Matter considered and none identified.

9.0 Risk Assessment

- 9.1 It is not considered that there are any strategic risks arising from this proposal. Several departmental risks arise concerning the migration of data to a new FMS and the implementation of the new system which will require strong project management to ensure that the project remains on track and will deliver its anticipated benefits. These risks will be recorded in the departmental risk register which is monitored on an ongoing basis.

10.0 Health & Safety Issues

- 10.1 Matter considered and none identified.

11.0 Procurement Strategy

- 11.1 Matter considered and none identified.

12. Partnership Working

- 12.1 The new system potentially offers the opportunity for joint working with Horsham Borough Council.