



## **Financial Systems Replacements**

### **RECOMMENDATIONS**

- 1.1 To endorse the proposal to initiate OJEU procurement for a new financial management system.
- 1.2 Prior to acceptance of any tender, to agree to receive a further report, setting out in detail costs, funding and payback period, in terms of efficiency savings generated.
- 1.3 To allocate £100,000 from the corporate modernisation reserve to support project management and set-up costs for the project, subject to further consideration of the full business case and the potential to offset some costs by business savings.
- 1.4 To endorse the tendering process for the replacement of the existing Revenues and Benefits Computer System.
- 1.5 To note that £349,740 funding has been secured from the Department of Works and Pensions towards the cost of the housing benefit element of the new system.
- 1.6 To agree to receive a further report after the evaluation of tenders in July 2005 that will recommend a preferred supplier with details of the project costs and funding proposals

### **SUPPORTING INFORMATION**

#### **2.1 Anite FMS system replacement - recommendations 1.1 to 1.3**

- 2.1.1 This report requests authority to undertake an OJEU procurement to replace the Council's financial management systems, together with e-procurement functionality.
- 2.1.2 In this process, we will actively seek partnership with other local authorities.
- 2.1.3 The Anite FMS System, locally known as CODAS, has been in operation within the Council for six years and a number of its component parts are approaching obsolescence. It lacks the functionality to address some of the key areas of e-government.
- 2.1.4 There are opportunities to create more efficient processes and to enhance the provision of management reporting to support the business.

- 2.1.5 The cycle for procurement and implementation of a new general ledger can take up to two years. It is important that we plan well in advance, given that the estimated remaining life of the product is probably around two years. Most of the other local authorities using the product are actively implementing new software or seeking replacement by 2006.
- 2.1.6 The target date for going live on a new financial system would be April 2007, with the OJEU procurement commencing in July 2005. The attached project plan in Appendix 3 is split into a pre-implementation / design stage, and an implementation stage. The latter would be subject to approval as in paragraph 1.2 above.
- 2.1.7 This would provide an excellent opportunity for partnership, both initially and on an ongoing basis. The resultant product, together with other related services, could provide the Council with a marketable solution to offer to district councils and others in the future, creating a source of income.
- 2.1.8 Opportunities for more efficient and cost-effective business processes are, to a large extent, constrained by the limitations of the current system. The procurement and implementation would provide a framework in which to redesign financial back-office processes in line with the Gershon recommendations. This should produce both cashable and non-cashable savings.
- 2.1.9 Incorporation of integrated procurement functionality, working closely with the Building on Excellence initiatives, would provide the vehicle to streamline the end-to-end process for purchase of goods and services. Moreover, it would provide the basis for a further phase of improvements by rationalising the way that we make purchases.

## **2.2 Revenues and Benefits system replacement – Anite Public Sector's ORBiS systems - recommendations 1.4 to 1.6**

- 2.2.1 The Council's Revenues and Benefits Service currently has a Private Finance Initiative – PFI - contract with Anite Public Sector Ltd for them to provide and support the business systems hardware and software and on-site Managed Service. This contract is due to end on 31 August 2006.
- 2.2.2 Key decisions need to be taken so that the primary objectives of the project are in place by the expiry date of the existing contract for the existing level of service to continue effectively. These key decisions include the best options available:-
- To decide what systems we want to replace or upgrade of the existing suite of Anite systems. These include the collection of council tax and non domestic rates, the administration of housing benefit and council tax rebate, document image processing and workflow, recovery of overpaid housing benefit and housing benefit fraud administration.
  - For any systems that are not replaced, to make necessary contractual arrangements to keep the existing software.
  - To decide what arrangements are required for the Managed Service and either procure the necessary service which has been included in the tendering process or make provision to transfer arrangements to Capita, the Council's corporate ICT provider.

- 2.2.3 An options analysis was done in November 2004, with the option to go out to tender considered being the best one to meet our medium/long term business needs. We went to OJEU on 16 December 2004. The invitations to tender were posted on 8 March 2005, with a closing date of 20 April 2005. Tenders are currently being evaluated from four software suppliers and the outcome will be reported to August Cabinet for approval to let the contract.
- 2.2.4 A Performance Standards Fund bid was submitted to the Department of Works and Pensions – DWP - against very early indicative costs relating to the housing benefits replacement and implementation part of the project. The bid was successful and the DWP have confirmed that they will pay up to two thirds of the costs of the benefits element with certain conditions and have guaranteed a grant of £349,740 at this stage. The remaining third will need to be funded by the authority. If, following a review of the project costs the cost of the housing benefits replacement has increased, DWP will be approached to try and secure additional funding.

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Financial Systems Replacement Project Structure Appendix 3 – Financial Systems replacement project Flowchart

<b>IMPLICATIONS</b>
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**Financial****1.1 Anite FMS system replacement**

- 1.1.1 There is no provision currently for additional costs of this project within the capital or revenue budgets. However, the potential need to support the project was acknowledged in the budget process. Paragraph 2.24 of the 22 February 2005 Capital Programme report to Cabinet stated: "The Chief Executive's programme excludes any provision for upgrading the Council's financial systems. It is intended that this need, which will occur no later than 2007/08, will be met by the commitment of unallocated corporate reserves or any reserves that can be earmarked for this purpose."
- 1.1.2 We are seeking endorsement of project management and set-up funding of up to £100k from the corporate modernisation reserve, specifically to fund additional staffing costs at the pre-implementation stage, as set out in the Personnel Implications. The level of commitments against the corporate modernisation reserve will need to be reassessed further when considering the use of 2004/5 outturn balances, and consideration will be given at this stage to making additions to that reserve.
- 1.1.3 Permission is sought to go to the OJEU on a 'no commitment' basis.
- 1.1.4 The potential overall cost of a replacement financial system varies widely, depending on the type of software purchased. However, the business case would consider the potential streamlining of processes, efficiency savings, income creation and payback periods. The table below shows the various one-off cost elements, together with a range of figures. This is only an approximate range for each element, and the various elements of the recommended solution would probably fall in different bands for each element. The overall range of total costs is from £850k to £2,150k, but it is unlikely that costs could be contained to the minimum. Costs at the higher end of the range would be incurred by a more highly specified system, and if incurred would need to be supported by a business case that made it clear that additional costs would be offset by additional savings.

Element	Low £000	High £000	Notes
Software	150	400	
Hardware, etc.	100	200	
Consultancy/ external implementation	250	800	The preferred approach would be to minimise consultancy to build in-house expertise and minimise future dependency.
Technical implementation	100	300	Dependent upon complexity of the overall solution and tools available.
Project management/ temporary staff	200	300	Additional resource must be justified on additional benefits and efficiencies.
Training	50	150	Dependent upon extent of external delivery. A cascading approach would minimise costs.

- 1.1.5 Most of these one-off project costs would be capable of being capitalised and potentially spread over the life of the new system if not met directly from reserves. Additional prudential borrowing under a 'spend to save' approach could be considered to the extent that costs were offset by savings. The life of the new system could be expected to be between 5 and 7 years.
- 1.1.6 Finance Directorate will also be seeking to carry forward some unspent 2004/5 budgets and earmarked departmental reserves to contribute to the one-off costs of this corporate project.
- 1.1.7 Ongoing licence costs of the current system are £36k per annum. With the new system, these ongoing costs could be expected to rise only marginally due to the scale of one-off payments.
- 1.1.8 The full financial implications for the procurement and implementation elements will clearly need to be the subject of a further report when a full business case is prepared. At that point the potential savings available to offset some or all of these one-off costs will need to be properly identified and committed to.

## **1.2 Revenues and Benefits system replacement**

- 1.2.1 Project costs to date are being met from within the Department's budget and the DWP funding, together with consideration in the 2004/5 revenue outturn carry-forward proposals to be reported to July Cabinet.
- 1.2.2 Costs of further phases of the project will require additional funding. The detailed costs of the project are currently being worked up together with consideration of funding options. This will also be reported to August Cabinet for approval before the contract is let.

## **Legal**

- 2.1 The systems would supply the data and the technology to assist in responding quickly to the requirements of the Freedom of Information Act, 2000 and, conversely, to ensure that we comply with the Data Protection Act, 1998.
- 2.2 Improved processes from the Financial Systems replacement would assist in compliance with the Late Payment of Commercial Debts Act, 1998.

## **Personnel**

### **3.1 Anite FMS system replacement**

- 3.1.1 A full PRINCE 2 project framework would be required. To complete the procurement and pre-implementation system design, we would need to use a combination of existing staff and temporary posts. At this stage, it is estimated that the need is for a temporary project manager, a project administrator and a business process analyst, the latter two for a six month period. The overall staffing cost is estimated at a maximum of £100k. If this allocation was not fully utilised, it would be kept available to support the later stages of the project.

3.1.2 We have already established a new Business System Team within Finance, and have restructured the Accountancy Section to provide more support for systems development. This has been done from within existing departmental resources. It is therefore anticipated that ongoing work to maintain, develop and support the new system to utilise it to its full capacity on an ongoing basis would not require additional posts.

3.1.3 The proposed project structure is shown in Appendix 2.

### **3.2 Revenues and Benefits system replacement**

A full PRINCE 2 project framework will be used. To complete the procurement and pre-implementation system design, we would need to use a combination of existing staff and temporary posts. Details will be included in the later report to Cabinet.

#### **Equalities impact**

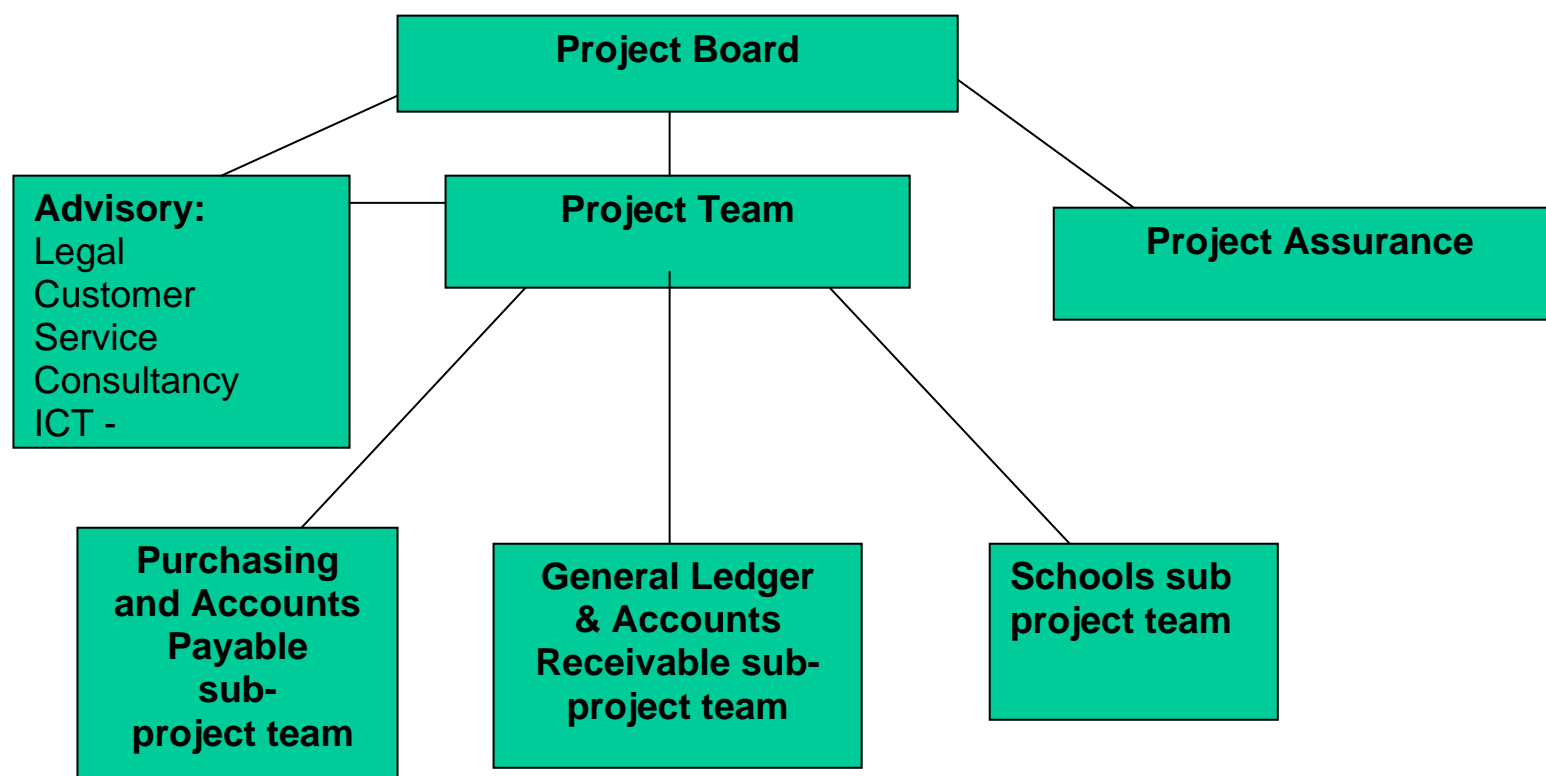
4. None arising directly from this report. During the procurement, we will ensure that equalities aspects are included within the tender evaluation process.

#### **Corporate objectives and priorities for change**

5. During the procurement phase of the projects, we will identify opportunities for streamlining back-office processes and enhancing financial information to support decision-making. This would potentially release money for front-line services, to deliver the Council's priorities and contribute to the Gershon efficiencies.

# Financial System Replacement Project

## Project Structure



## Financial System Project Teams

### **General Ledger and Accounts Receivable sub-project team:**

GL/AR sub-project manager  
Accountant  
Financial systems manager  
Financial systems officer  
Debt management team leader  
Business process specialist (financial systems)  
Derby Homes representative  
Corporate services representative  
Education representative  
Social Services representative  
Development and Cultural Services representative  
Commercial Services representative

### **Purchasing and Accounts Payable sub-project team:**

Accounts Payable sub-project manager  
Purchasing sub-project manager  
Accounts Payable manager  
Technical assistant (business systems)  
Business process specialist (financial systems)  
Derby Homes representative  
Corporate services representative  
Education representative  
Social Services representative  
Development and Cultural Services representative  
Commercial Services representative

### **Schools sub-project team:**

Schools sub-project manager  
Central education department  
Head teacher  
Bursar(s) (secondary)  
School secretary (primary)



### **Financial System Replacement Project Project Structure – rationale and supporting information**

#### **1. Rationale**

Although there are a number of modules, these are not separate projects due to the high degree of integration and dependency. We need specialist input to ensure that each module is optimised in relation to the others. Rather than create a separate sub-project team for each module, they have been grouped into two sub-projects, with an individual assigned responsibility for each module. This approach should:

- optimise the use of staff resource
- reduce the number of meetings
- ensure that the end-to-end purchasing/payment process is optimised for efficiency and effectiveness

#### **2. Departmental representatives**

Representatives from Education, Social Services, Commercial Services and Development and Cultural Services and Chief Executive's directorates would be required, providing input averaging one day per week.

In stage 1 (pre-implementation), departmental representatives will largely contribute to the following areas:

- ensure that the overall specification is flexible and broadly reflects departmental and organisational requirements
- participate within the evaluation process, attending demonstrations, workshops and evaluation meetings in relation to the relevant modules
- participate in the preliminary system design, via working groups
- review business processes and consider ways in which we could make these more efficient
- participate in the review of existing standing data, e.g. chart of accounts, suppliers, customers
- attend monthly/fortnightly sub-project team meetings

## **Appendix 2**

If we proceed to stage 2 (implementation), representatives will be required to:

- participate within the more detailed specification of relevant modules, in line with the findings in stage 1
- review screens and routines, as they are built, to ensure that they achieve their purpose within the overall functionality
- continuously liaise with the core project team, as the system evolves, to ensure that the system will satisfy the requirements of both finance users and service managers
- rigorously test the new business processes
- perform user acceptance testing of the complete system, prior to live operation
- act as trainers, if required, to deliver a cascaded approach

### **3. Sourcing of project staff**

Where possible, in-house staff should be used within the project, to build expertise within the organisation, minimise dependency and reduce current and future consultancy costs. However, it is recognised that a large corporate project requires some areas of specialised input and, therefore, project management and financial business process re-engineering skills would need to be brought into the project on a temporary basis.

The position will be reviewed, when presenting the full business case for the implementation stage of the project.

### **4. Use of in-house staff**

In implementing a new ledger system, it is essential to involve all departments (see section 2 above). However, it is also critical that corporate lead individuals in key areas play major roles, to ensure an appropriate solution is procured that will satisfy the overall requirements of the council. This will entail a number of key part-time roles within the project. This aspect will need to be managed very carefully by delegation, as the priorities of the substantive posts must be fulfilled. The approach should work well during the procurement phase, but will be reviewed, when presenting the full business case for the implementation stage of the project.

