



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources
(Please Select) (Please Select...)

LEAD OFFICERS: Director of Finance and IT
(Please Select)

DATE: 11 August 2016

**PORTFOLIO/S
AFFECTED:** All

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: Delegation of authority to award the contract for replacement of the Council's Finance System

1. EXECUTIVE SUMMARY

- 1.1 To brief the Executive Board on the progress of the procurement of a replacement Finance system for the Council
- 1.2 To request delegated authority for the Director of Finance, in conjunction with the Deputy Chief Executive and the Executive Member for Resources, to award the contract for the new system
- 1.3 To appraise the Executive Board on the proposed tender process including Invitation to Tender, system specification and timetable and on the key business objectives and deliverables of the project.

2. RECOMMENDATIONS

That the Executive Board:

1. Notes the progress of the procurement process to date
2. Delegates the authority to award the contract to the Director of Finance and IT, in consultation with the Executive Member for Resources and the Deputy Chief Executive, on the basis of the most economically advantageous tender.
3. Notes that the contract term would be for a period of 5 years with the Council having the option to extend for a further period of up to 5 years.

3. BACKGROUND

The Council has used Masterpiece as its core financial system for more than 15 years. A five year extension to the contract was signed in 2010 with a further two year extension being agreed by waiver in 2015 to allow for the re-procurement of the system.

The current system is not fit for purpose and is 'end of life' in its current format;

Stability

- The report writing module, Masterpiece ACE, frequently fails due to the number of users and the volume of reports being generated at any one time
- The interface between Masterpiece and E-Procurement is weak. Issues with the E-Procurement module frequently result in a consequential failure of Masterpiece or the system being taken off-line in order to address the issues

Functionality

- The system in use is no longer actively developed by the supplier.
- There are a significant number of bespoke elements to the system and workarounds in place to assist in its use
- The automation of Masterpiece is limited, thus resulting in a significant amount of manual intervention
- Given the limited functionality of the system, additional 'bolt-on' products have been purchased to supplement and address the deficiencies e.g. 'Cobal', 'COGNOS', 'UniQ' and 'Spend Pro'.

Over-reliance on key staff/contractors

- One single contractor currently holds the majority of the knowledge, experience and expertise with regards to the bespoke packages that have been developed for the Council's Masterpiece system over the years. Should this individual cease to contract with the system supplier, the Council's exposure to risk in the event of issues arising would increase

Efficiency

- Masterpiece is a very labour intensive system. Whilst fit for purpose 15 years ago, technology has moved on. Its reporting functionality is very limited requiring significant manual intervention and extraction of data into spreadsheets etc. for manipulation and calculation.

Cost

- The current solution is considered expensive to maintain and to support due to a lack of flexibility and the market for supplier support
- Beyond the cost of maintenance for the system and the additional revenue costs associated with the 'bolt-on' products that have been purchased i.e. 'Cobal', 'COGNOS', 'UniQ', 'Auto-billing', 'Single Screen Entry' and 'Spend Pro', additional costs are also incurred in respect of some elements of system maintenance which cannot be provided by the BwD IT Team; maintenance work outside of the Service Level Agreement and any development/consultancy work is charged at a rate per day.

Approval was given by Executive Member Decision (published on 17th June 2016) to undertake a procurement exercise for a replacement Finance system using an OJEU restricted tender process.

4. KEY ISSUES & RISKS

4.1 PQQ

Following Executive Member Decision, a Pre-Qualification Questionnaire (PQQ) was loaded onto the Council's procurement portal, 'The Chest', for completion by potential suppliers with a submission deadline of 20th July 2016; 12 responses were received.

All of the responses were evaluated by a panel of senior leads representing the Finance, IT and Procurement service areas and each was scored on their responses to individual questions covering economic and financial standing and technical and professional ability as well as those relating to

insurance levels, compliance with equality legislation and approach to environmental management and health and safety.

Based on the overall scores, 5 suppliers have now been invited to respond to a full Invitation To Tender document (ITT); the closing date for responses is 25th August 2016.

4.2 The ITT and System Specification – business objectives and key deliverables

In producing the ITT and system specification, several key business objectives have been identified:

- To replace the current financial systems with an up to date, modern and robust, financial management system
- To maximise the opportunity for further flexibility and development, including additional modules and provision for further shared working / expansion / selling of services
- To look to improve financial processes in line with best practice standards and to achieve efficiencies in consistent processes and reporting
- To optimise the coding structure to facilitate reporting for management and statutory functions
- To deliver efficiencies through a system that is easy to use, easy to maintain and easy to develop

In addition, a set of key project outcomes have also been defined:

- Reduce reliance on paper
- Eliminate duplication of data input into, and held in, spreadsheets
- No purchase order, No payment (although business processes will identify any exceptions such as Procurement Cards)
- Activity will be devolved wherever possible so visibility and control can be maintained by the user e.g. from Purchase Order creation, to Goods Receipting and to Invoice approval
- No duplication of input - data to be input at initial point of capture
- Single, simplified budget classification and chart of accounts
- Balance sheet coding to be reviewed and streamlined
- General Ledger data to be made visible to all system users (although exceptions will be made for certain transactions/payments e.g. salary information)

Securing value for money is critical to the delivery of the project, ensuring that the new system is operationally efficient and supports methods of working which cost less to run than those at present (both in terms of the systems themselves and the processes required to use them). The system will be critical to facilitating the delivery of an efficient and effective Finance Service following the establishment reductions that will have to be made to achieve the workforce savings required in the Medium Term Financial Strategy.

In order to minimise costs in terms of implementation and future development/maintenance it will be very important that we operate as closely as possible to the way the system is designed, without the need for 'bespoking'. Often in system implementations, great effort is made to obtain detailed knowledge and understanding of the requirements of all users and to incorporate these into the specification of requirements. More often than not this results in a high level of 'bespoking' as no system does everything that everyone wants; as such, complex system design is usually required in order to cater for all requirements. It is recognised that in the current financial environment, this type of approach is not tenable. Modern systems will cater for most of our standard requirements, and we will need to adapt to more uniform practices including;

- Rationalisation of our processes and procedures and to adopt standard ways of working in relation to financial management and reporting across the whole organisation;
- Introduction of greater self-service functionality for managers and reduction of interventions

currently required by Finance staff and

- Consolidation of current peripheral/'bolt-on' system functionality and operations where it is possible and efficient to do so.

The system specification is at the core of the ITT; this provides the detail of the financial system that the Council wishes to procure which covers;

- General Ledger
- Commitment Accounting
- Accounts Payable and procurement
- Accounts Receivable
- Budgetary control
- Budget preparation and planning
- Cash management
- Business Process automation (workflow)
- Reporting
- Fixed Asset accounting
- Project accounting

4.3 The ITT and System Specification – the procurement process and timescales

The ITT asks each bidder to respond to almost 300 questions regarding the functionality and operation of their system(s) across the areas outlined above. Responses are invited for both premise and Cloud solutions (i.e. systems to be hosted either on Council premises or to be hosted by the supplier, or their named partner, and accessed via a secure internet connection meeting the UK Government mandated security requirements).

On receipt of the bids, the evaluation panel will reconvene to perform a Stage 1 score of the responses to each of the questions. The evaluation criteria will be based on quality and pricing, including value for money, based on the whole life of the contract. It will cover;

- the total cost of ownership,
- the strategic and general requirements to be delivered by the system,
- main system functionality
- income and cash management functionality and
- none functional and operational requirements

Following Stage 1 evaluation the lead bidder, together with bidders whose score is within 10% of the lead bid at that stage, will be invited to demonstrate their product and site visits will be carried out by Council staff to assess each of the systems in use in a 'live' environment.

On completion of the evaluation the lead bidder will be notified of the Councils intention to award the contract, a 10 day standstill period will then be put in place. The table below outlines the timescales which the project is working to at the present time;

STAGE	Date
Issue of Invitation to Tender	29 th July 2016
Submission of Tenders via The Chest e-tendering portal only	25 th August 2016
Evaluation of Tenders	w/c 30 th August 2016
Supplier Presentations	w/c 12 th September 2016
Site Visits	w/c 19 th September 2016
Notification of result of evaluation	w/c 26 th September 2016
Standstill period	10 days
Expected date of award of Contract(s)	October 2016

Implementation period	October 2016 to March 2017
Contract commencement	October 2016

4.4 Implementation

A Project Board has now been formed to oversee the project comprising of the Director of Finance and IT as Project Sponsor, the Deputy Chief Executive, the Director of Leisure, Culture and Young People and the Head of Operations and Safeguarding, together with a Project Manager.

A Project Team is being assembled in preparation for contract award and implementation, consisting of officers from across the Finance, IT and Procurement Teams, some of whom will oversee the full implementation and others who will focus on specific aspects of system implementation pertinent to their sphere of operations and responsibility.

5. POLICY IMPLICATIONS

The new Finance system will be pivotal to managing the finances of the organisation going forward and as such is intrinsic to delivering on all 6 of the Council's Corporate Priorities.

Specifically, the new finance system will support the delivery of the Council's Corporate Plan objective;

Delivering high quality services – a well-managed authority which is fit for the future; efficient and effective; and continuing to use the best possible business models to deliver excellent services

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL

Funding has been set aside within the Corporate ICT Earmarked Capital Reserve for the replacement of the Finance system, as approved at Finance Council on 29th February 2016.

6.2 REVENUE

It is envisaged that the ongoing software support and maintenance costs of the replacement financial systems will be managed within existing revenue budgets however until the tenders are submitted and evaluated, at the end of August/early September, it is not possible to provide full details of costs at this stage.

The winning bid will be that which is deemed to be the most economically advantageous tender submission; subject to the approval to delegate the decision to award the contract to the Director of Finance and IT, in conjunction with the Deputy Chief Executive and Executive Member for Resources, the actual costs, along with the outcome of the tender exercise, will be reported to the next Executive Board meeting following contract award.

7. LEGAL IMPLICATIONS

The PQQ and ITT process outlined above, the using an OJEU restricted tender process, complies with the Council's Contract Procurement Procedure Rules and EU procurement law.

Advice has been, and will continue to be taken as appropriate from the Legal Services and

Procurement teams to ensure compliance with procurement rules and law.

As part of the procurement process, the final contract will be in a form approved by Legal Services.

8. RESOURCE IMPLICATIONS

There will be an impact on both Finance and ITM&G Team resources which will be factored into existing work plans.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

Initial consultation has occurred with service users and further consultations will follow over the forthcoming months as part of the system implementation.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	0.01
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CONTACT OFFICER:	Louise Mattinson
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DATE:	01 August 2016
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BACKGROUND PAPER:	
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