

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FINANCIAL SYSTEM BUDGET

REPORT OF: *SERVICE DIRECTOR*: RESOURCES

EXECUTIVE MEMBER FOR FINANCE AND IT: COUNCILLOR IAN ALBERT

COUNCIL PRIORITY: PEOPLE FIRST / SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Council has specialist software to enable it to record and manage payments, income and other financial transactions. This includes meeting statutory duties to ensure proper administration of financial affairs and making payments to suppliers within required timescales. The main elements of this are currently covered by two sets of software. Over Spring/ Summer this year, the Council has sought tenders for a more integrated solution. The most economically advantageous tender costs more than the currently available budget, and this report seeks approval for capital spend and the additional revenue budget. It is expected that the new software system will allow increased automation that will enable savings that will more than off-set the additional cost.

2. RECOMMENDATIONS

- 2.1. That Council approve a capital budget allocation in 2023/24 of £200k for the initial work to develop and implement the new finance software system.

3. REASONS FOR RECOMMENDATIONS

- 3.1. A new finance system is expected to lead to more efficient processes and a better customer experience. A new finance system will incur up-front installation and development costs. These costs can be charged to capital but require a capital budget. Additions to the capital programme above £50k require approval by Full Council.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. We could have looked to extend contracts for the current software that we have. However, it had become clear that they were not offering the levels of automation that we were after, even after carrying out upgrades to their latest versions. It had also become clear that there would be significant cost increases from continuing with one of the current pieces of software, as the current contract was let 10 years ago and did not have any inflationary increases over that time.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. The Executive Member for Finance and IT has been consulted on this decision.

6. FORWARD PLAN

6.1 The award of the contract (due to the overall value of the contract) is a key executive decision (although it is delegated to Officers) and this was first notified to the public in the Forward Plan on the 26/05/2023.

7. BACKGROUND

7.1. The Council has two main pieces of software that make up the overall system that enables it to record and manage payments, income and other financial transactions. These are:

- Integra Financials (Centros)- a financial management system that records transactions to enable payments, budget-setting, budget management and financial reporting.
- Civica Pay- for the collection and management of payments. This includes enabling customers to make payments on our website and over the phone.

7.2. The Council has had various iterations of the Integra software since 1998 and Civica since 2013. All of the transactions within Civica need to be integrated into Integra. There are currently a number of processes in place to enable this. This provided a driver to look for a solution that was either one piece of software or separate software that had complete integration. Market research had also identified that alternative options would offer other advantages in relation to user experience, customer experience, other process automation and improved reporting (see section 8 for more details).

7.3. Integra is hosted on-site and has its own on-site server. This comes with infrastructure and IT staff time costs. The IT strategy states that we should be aiming to move to cloud hosted software.

8. RELEVANT CONSIDERATIONS

8.1. As a result of the drivers for change identified in section 7, we started a procurement project in April 2023. At that time the expected costs were unknown (especially the split between revenue and capital costs), so were not incorporated in to the 2023/24 budget.

8.2. The tendering process resulted in bids from 3 suppliers, and all 3 suppliers were invited to provide full demonstrations of their products. The scoring of the contract was based on 60% quality (including 10% for the demonstrations), 30% price and 10% social value. There was a requirement for all suppliers to meet a minimum threshold score across all of the various sub-components of the software.

8.3. The winning bidder achieved a score of 87.25 (out of 100). The other two bidders achieved scores of 70.17 and 61.47.

8.4. The chosen solution is expected to offer the following benefits (over the current software):

- Better integration across the various elements of the overall software reducing the number of integrations required and ensuring that data has reconciled correctly.
- All cloud hosted which will reduce the server space required and there is expected to be no dependency on IT to support the system.
- Upgrades included within the package reducing the cost and effort involved in carrying out those upgrades.
- Asset management module included which will allow the move away from using spreadsheets.
- Supplier self service module allows suppliers to submit invoices online and see when they will be paid.
- Improved reports for budget management and reporting.

8.5. The winning solution will have a small increase in the current revenue (annual) cost. This can be covered with staff savings that have already been identified. As it is a new system it will require up-front development work. It is estimated that this will be around £200k, but will depend on the number of hours work required. This cost can be capitalised. The initial contract period is 10 years, so even writing off over that period would equate to an equivalent annual cost of £20k. It is fully expected that further cashable savings will be delivered which will off-set this amount (e.g., in IT infrastructure costs and staff time when vacancies occur). There will also be non-cashable savings from other process efficiencies that reduce the time spent on current tasks. It also avoids increases in the cost of the current software.

8.6. As a result, Council is asked to approve the allocation of a capital budget of £200k.

9. LEGAL IMPLICATIONS

9.1. Paragraph 5.7 of the Council's Financial Regulations provides a delegation to the Executive Member for Finance and IT to agree new capital programme items up to £50k. It further allows urgency provisions to be used, but that is not the case here. For non-urgent new capital items, these should initially be agreed by Cabinet and then referred to Council.

9.2. If approved by Cabinet, once the contract is awarded, legal will assist in preparing a contract and a Delegated Decision Notice will be published detailing the award of the Contract under the Officers Scheme of Delegation.

10. FINANCIAL IMPLICATIONS

10.1. As detailed in the report the revenue (annual) cost of the new software contract is slightly higher than the current software contract costs and budget. However, it is likely that there would have been a cost increase from extending the contracts with the existing suppliers. The increase can be covered by already identified savings that arise from process efficiencies.

10.2. There is an implementation cost that is estimated at £200k. This cost can be capitalised, and permission is sought from Council to add this to the capital programme. The short-term cost of adding this to the capital programme, is the lost interest from investment returns of around 5% (i.e. £10k per year). The longer-term cost would be an increase in the Council's overall borrowing requirement. At the point where this requires external borrowing then cost will be external borrowing costs and a requirement to charge a Minimum Revenue Provision (MRP). The MRP will be calculated across all Council

borrowing and is likely to use an overall asset life of 40 years, which equates to a 2.5% per year charge. Assuming interest rates of 5% (likely to be lower by the time there is a need to borrow) would give an overall cost of capital of 7.5%. That would therefore be a revenue cost (based on £200k) of £15k. As set out in section 8, it is expected that further savings will be implemented that will off-set that cost.

11. RISK IMPLICATIONS

11.1. The implementation of a new finance system is a significant piece of work. The provider will be required to carry out all the technical work, but it will still require significant input from relevant officers. There is a risk that there will be complications with the implementation, but these are mitigated by the positive references that we have received. The implementation of the new software will be over a period of 12 months up to Autumn 2024.

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. There are no known equalities implications relating to this decision.

13. SOCIAL VALUE IMPLICATIONS

13.1. The recommendations in the report are linked to a contract above £50,000. Social Value was incorporated into the contract with an assessment weighting of 10%. The winning provider has agreed to provide the following Social Value:

- 10 hours per annum of free IT/ Financial advice provided to the voluntary sector and small businesses, with a focus on supported disadvantaged young people.
- Donated equipment up to the value of 5% of the Annual SaaS Fee per annum. utilising their purchasing power to buy and donate equipment to the voluntary sector within North Herts.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There will be some staffing efficiencies that will be enabled following the full implementation Some of the efficiencies that will be delivered as part of this decision are expected to be a reduction in staff hours. These are generally expected to be managed through not filling vacancies when they arise, but, if necessary, the Council's reorganisation policy will be applied. There are also expected to be small time savings for other Officers that then give more time to complete other tasks.

16. APPENDICES

16.1 *None*

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 *None*