

# Gloucester City Council

<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>17 June 2015</b>
<b>Subject:</b>	<b>Proposal for new financial system and a shared service agreement</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
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<b>Appendices:</b>	<b>None</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The purpose of this report is to seek approval to a change of the Council's financial system from Advanced Business Solutions (ABS) Financials to Civica Financials. This will be through the implementation of CIVICA financials in a shared working arrangement with Malvern Hills District Council (MHDC). This will contribute to the required savings in the 2015-2020 Money Plan.
- 1.2 To approve a shared financials system arrangement with MHDC who would host CIVICA Financials and make it available to Gloucester City Council (GCC), through a service level agreement basis.
- 1.3 To confirm a willingness to enter into other shared finance service arrangements with Malvern Hills District Council on systems administration and transaction processing on the basis of securing more efficient working practices, increased resilience, economies of scale and cost savings for the Council.

### 2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that:

- (1) The proposed shared working arrangement with Malvern Hills District Council and associated financial system to enable further improvement and resilience in the financial management of the Council be approved; and
- (2) Authority be delegated to the Section 151 Officer in consultation with the Cabinet Member for Performance and Resources to negotiate on further shared working arrangements and procurement with Malvern Hills District Council on financial systems, administration and transaction processing.

- (3) Authority be delegated to the S151 Officer in consultation with the Cabinet Member for Performance and Resources, in entering into the required legal agreement and to take all the necessary steps to implement the above mentioned resolutions.

### **3.0 Background and Key Issues**

- 3.1 The Council's Money Plan 2014-2019 approved the implementation of specific savings in the financial year 2014/15 and the proposed savings for 2015/16. These savings have been subsequently endorsed in the current Money Plan approved by Council on 26<sup>th</sup> February 2015.
- 3.2 The savings targets includes ongoing saving to base budgets of £70k to be delivered by Financial Services from 2015/16 onwards.
- 3.3 As well as the requirement to deliver these challenging savings for a small service area, there is also the need to improve the finance system to enable enhanced management reporting, improved resilience, and significantly, to ensure that the system is structured to meet the needs of the Council.
- 3.4 The Council currently utilises Advanced Business Solutions (ABS) Financials as its main accounting system. Within ABS there are a number of modules utilised by the Council;
- General ledger
  - Fixed Asset Register
  - e-procurement
  - supplier payments
- 3.5 In addition, there are a number of important subsidiary financial systems which are linked to ABS to form the Council's comprehensive financial data and records.
- 3.6 Those which are linked to ABS via electronic interface are:
- AXIS Income Management (AIM) (which processes all of the income received by the Council);
  - Open revenues, revenue and benefits system
  - ASH Debtors.
- 3.7 The following sections of the report will detail the benefits, both financial and operational, of the investment in a new financial system and entering into a partnership with MHDC.

### **4.0 Financial Systems Support**

- 4.1 The Council does not have a financial systems accountant, and has not had so for many years. The systems team consists of 1 FTE officer.

- 4.2 The systems Officer is only resourced to deal with day to day operations. Recent major systems projects, such as the implementation of the Fixed Asset Register and the current banking project are testament to this Officer's dedication to ensure projects are completed. However, this is not a long term sustainable option in an ever changing local government environment.
- 4.3 By moving into the proposed shared working arrangement as well as utilising the current Officer the Council will be able to call upon the support of a Systems Accountant, Financial Systems Developer plus two further systems Officers. The ability to draw on this resource will provide vastly improved resilience to the Council as a result of both foreseen and unforeseen long term absence. The Systems team at MHDC have significant experience in implementing Financials and operating the system on behalf of other authorities.
- 4.4 The enhanced system team available through the proposed shared working will also provide much enhanced support to GCC to enable projects and change to be delivered both timely and effectively.

### **Operational System Requirements**

- 4.5 The current configuration of ABS requires updating for the financial management needs of the Council now and in the future. The current ABS system data records have developed in a way that does not conform to good practice. As a consequence, the system processing and system support is not as efficient as it could be and far too much time is spent manually compiling information as it is not automatically provided.
- 4.6 Controls on the current system have been enhanced over the last 18 months, with the systems Officer making efforts to purge the structure. However the current ledger structure will not support the delivery of further financial management of the Council.
- 4.7 The current problems can be categorised into four main areas. The four main problem areas are:
- (i) Inadequate coding structure and chart of accounts
  - (ii) Inadequate financial reporting
  - (iii) Poor business processes
  - (iv) Insufficient resilience

### **Strategic Requirements**

- 4.8 There is also a need to consider shared services and partnership working for Finance as part of securing value for money on back office services. To help achieve the budget savings the Council needs to promote efficiencies from back-office functions and carry out other opportunities to work so that limited resources can be targeted where they are most needed.

## **5.0 What are the Options for Change?**

### **Continue with ABS**

- 5.1 Continuing with the current situation is not an option as the Council's main accounting system needs to be significantly improved to address the issues set out in paragraphs (4.5 to 4.7) above. To refresh the ABS system is likely to incur implementation costs at a similar level to those required to introduce Civica without delivering any ongoing revenue savings and resilience benefits.
- 5.2 The Council also currently use ASH debtors for the accounts receivable function rather than integrated solution within ABS financials. This places further risk if this solution was to fail and as highlighted in both previous external and internal audit reports requires complex reconciliations to the main ledger. The ASH system requires a separate licence which again is not financially efficient. The accounts receivable function will become an integrated part of the Council's financial system rather than a standalone system that requires complex reconciliations to be undertaken regularly.
- 5.3 There is the option to start afresh with ABS and implement a clean database. However, as mentioned above in paragraph 4.8, this would not achieve the Council's corporate and strategic objectives of shared service working on back office services

### **Shared System Provision**

- 5.4 As mentioned above, partnership working and shared service arrangements should be a key consideration in determining a system solution.
- 5.5 The proposal to join with MHDC in a shared system arrangement enables Gloucester City to join an already successful shared working arrangement. MHDC already provides systems and transaction processing support through a shared working arrangement with Worcester City Council. MHDC has hosted this arrangement since February 2012 and the arrangement has proved beneficial to both organisations in terms of resilience and contribution to savings.
- 5.6 GCC is already in a successful partnership arrangement with CIVICA Business Processing Operations for services such as Revenues & Benefits that has delivered both financial and efficiency savings. This arrangement is through the Severn Centre, MHDC is in a similar arrangement with CIVICA, utilising the Orchard Centre alongside other South Worcestershire Districts.
- 5.7 The delivery of transaction processing, specifically Accounts Payable and System/Account reconciliations, is expected to deliver further financial savings through this established partnership. The resilience of joining this established shared working arrangement will be a significant benefit to GCC.
- 5.8 For MHDC this arrangement offers the opportunity to further increase resilience and expand the current successful joint working arrangements with Worcester City Council. Given the current financial pressures facing all local authorities, the joint working arrangements provide cost savings to all partners whilst safeguarding employment and ensuring a high level of service.

## **6.0 Alternative Options Considered**

- 6.1 There is also an option to implement CIVICA Financials as a standalone database. However, this is ruled out in that it will not deliver the resilience and expertise required for the Council going forward.
- 6.2 The option to utilise the SAP system operated by the County Council has also been discounted. SAP is a large complex database designed for multi-national companies, not a small district council. It is likely that GCC would not have the autonomy and control to change/develop the system for its own needs.
- 6.3 The option to join with alternative districts was discounted as the proposed arrangement enables the Council to join an already well established shared service with a proven track record in delivery of quality service, whilst improving resilience and delivering savings.

## **7.0 Reasons for Recommendations**

- 7.1 The recommendations in this report will contribute to the financial savings the Council needs to make and will also provide much need resilience and structure to the Council's financial systems team and system.
- 7.2 The proposed shared working arrangement with MHDC allows the remaining finance function to focus on the corporate and strategic needs of GCC. Although this element could potentially be run by the County Council it is felt that the specific financial management, budgeting, reporting and monitoring needs of GCC as a district council are best served by maintaining the small remaining finance function.

## **8.0 Financial Implications**

- 8.1 The purchase price for the Civica Financials software is £57k and this sum will be met from approved Capital IT budgets. Implementation costs will be met from current revenue budgets in Financial Services.
- 8.2 The annual licence fee for the current financial solution totals £23k, plus £10k for consultancy support. The annual licence fee for the proposed system is £13k and will therefore deliver ongoing annual revenue savings of £20k for system licences and support.
- 8.3 Further financial savings will be delivered through the extended arrangements for transaction processing to be implemented on completion of the system changes. These savings will take into account a share of the costs incurred by MHDC in delivering the shared working.

## **9.0 Legal Implications**

- 9.1 The Shared Service arrangements will be the subject of a formal agreement between the Councils under sections 101 (1) of the Local Government Act 1972 and under Part 1A Chapter 2 section 9EA of the Local Government Act 2000 and pursuant to the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012.

9.2 It should be noted that the principles of the Transfer of Undertakings (Protection of Employment) Regulations 2006 shall apply.

(Legal Services have been consulted in the preparation of this report)

## **10.0 Risk & Opportunity Management Implications**

10.1 As identified in the report

## **11.0 People Impact Assessment (PIA):**

9.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **12.0 Other Corporate Implications**

### Community Safety

12.1 None.

### Sustainability

12.2 None.

### Staffing & Trade Union

12.3 Principles of the Transfer of Undertakings (Protection of Employment) Regulations 2006 shall apply.

**Background Documents:** None