North Yorkshire Council
Report to the Corporate Director - Resources

15 May 2024

The procurement and delivery of a new financial management system
Key Decision

1.0	**PURPOSE OF REPORT**
1.1	To seek approval to commence procurement of a new financial management system to replace the Council's current Oracle and associated systems.

2.0   BACKGROUND

2.1   The Council's current finance system is at end of life. It was implemented in 2014, with additional systems and support added as the Council's requirements changed and additional functionality was needed. As the range of products have increased, so too have the support requirements. Appendix A sets out the suite of systems and current contracts in place.

2.2   Pre-Local Government Re-organisation (LGR), plans were under development to bring forward a business case for system replacement but the timeframe for LGR and the need to be able to bring all of the Council's financial transactions into a single system to achieve "safe and legal" from day 1, meant that those plans were put on hold pending consideration post vesting day.

2.3   The decision to move the district and borough legacy transactions onto the former NYCC system was not an easy one – the majority of the legacy councils benefited from functionality, such as electronic purchase ordering and invoice payment workflows, that was not in place at the former county council. This has led to the rollout of retrograde processes and additional resourcing in our business support teams. However, this move, whilst already supporting strong financial management for the new council, has also laid the foundations for a more streamlined project for the implementation of the new finance system – moving from one to one, rather than eight to one.

3.0   CURRENT ARRANGEMENTS

3.1   The current system (Oracle EBS) is hosted 'on premise' and provides integrated modules covering the general, sales and purchase ledgers, bank reconciliation, VAT, and sundry debt recovery. This a critical system for the Council, providing the necessary functionality to order goods, works and services; pay suppliers (and others); raise invoices for services etc provided to customers; record costs and income against various 'cost codes' to allow statutory, and meaningful management reporting of the council's costs and income. On-going support for the Oracle system is currently provided by a third-party provider. This arrangement was entered into on expiry of the initial Oracle support contract because of escalating costs for the ageing product.

3.2 In addition, the Council uses a separate 'cloud based' but integrated budgeting and forecasting system (Planning and Budgeting Cloud Service – PBCS) to prepare, hold and report budget and forecast data against actual spend and income.

3.3 The systems receive a variety of 'line of business feeders' (for example council tax, business rates, housing benefits, housing rents, payroll, income management, and social care) and hold data (either in detail or summary) for all Council financial transactions.

3.4 Reporting from the systems is a mix of direct system reporting and Business Intelligence dashboards – the use of dashboards has grown in recent years as knowledge and expertise in Oracle reporting has left the organisation and has not been replaced, with increasing reliance on overlaid dashboards (and therefore not direct system access/reporting) and third-party support.

3.5 Since vesting day further development of our arrangements have taken place and from May/June 2024 plans are in place to rollout improved purchase order and invoice payment processes but the limitations of our aging system mean, that in order to achieve core financial processes that are fit for purpose and support a modern, agile and customer focussed organisation, a new system is needed.

3.6 This report is the first stage of the procurement process, which subject to approval, will see a new integrated solution implemented for go-live from 1 April 2026.

4.0 PROCUREMENT PROPOSALS

4.1 The aims and objectives of the procurement are to:
- replace the Council's current systems with a single fully integrated system to standardise, automate and improve transactional processes and workflow across the organisation;
- enable fully devolved budget management;
- automate financial reporting (in-year and year-end);
- deliver an 'out of the box' solution which simplifies and minimises on-going support and maintenance.

4.2 Due to the criticality of the system to the wider council, undertaking a robust competitive process is vital to providing confidence to key stakeholders that best value has been achieved; that the successful solution can deliver the full requirements; that a strategic partnership can be developed to ensure the solution is utilised according to best practice; and that this can be achieved to allow implementation of the solution for go-live by 1 April 2026.

4.3 To achieve these outcomes an existing public procurement framework contract will be used to undertake a further competition, covering both the solution and implementation partner.

4.0 CONTRIBUTION TO COUNCIL PRIORITIES

4.1 This project contributes to the Council Organisational objectives. The Council Plan sets out our vision to be a well led and managed, financially sustainable and forward-thinking council. Within our priorities for the next four years is the aim to ensure technology and organisational development support innovative, enterprising and inclusive working; and to maximise the use of technology to provide more efficient services.

5.0 ALTERNATIVE OPTIONS CONSIDERED

5.1 Alternative Option - Do Nothing

This option is not viable. The current system is at end of life. Functionality is not fit for purpose, licencing and support costs will continue to escalate, internal resources required to manage and operate the systems are not sustainable, and there is increasing risk of failure as a result of new interface requirements from converging line of business systems.

5.2 Alternative Option – Direct Award to incumbent supplier

Whilst this option provides the fastest route to market and reduces the procurement resource required, it does not provide the opportunity for price competition nor opportunity to consider alternative solutions that may better meet the council's needs.

6.0 FINANCIAL IMPLICATIONS

6.1 Annual costs for the suite of finance systems currently total £405k. Indicative costs following a series of discovery sessions with system providers, suggest a wide range of costs, with an average of £605k p.a. Similarly, indicative implementation costs also vary widely, with an average of circa £1.5m. Our ability to achieve an "out of the box" solution, applying standard, best practice processes, will minimise external implementation costs but will require internal effort and resources to make the necessary changes to the way we work. Taking an "adopt not adapt" approach will require the support from all levels and across all of the council's services.

6.2 Moving to a cloud solution will provide opportunity to rationalise the Council's hardware and associated maintenance and support requirements with the resulting £30k recurring savings helping to offset any system costs.

6.3 Bringing all of the legacy council's financial transactions onto Oracle has already facilitated a more streamlined project and will ultimately save £160k p.a. in recurring licencing/support costs once those systems have been closed and the necessary data archived for future use.

6.4 As we move through the procurement process and select the system, we will be able to assess our own internal requirements to support the project. Whilst some capacity is already in place, it is expected that more temporary support will be needed across finance, IT and business support. The different systems potentially available to us will have very different requirements so at this stage it is not possible to say with any certainty what level of resource will be required but for indicative purposes it would be prudent to assume up to 10 FTE for up to 18 months at a maximum cost of £800k.

7.0 LEGAL IMPLICATIONS

7.1 The proposed option (of using an available public procurement framework with a further competition) is compliant with the Council's Procurement and Contract Procedure Rules and the Public Contracts Regulations 2015. Legal Services will be consulted to ensure that appropriate terms and conditions are imposed on any successful supplier.

8.0 EQUALITIES IMPLICATIONS

8.1 There are no equalities implications as a result of this report.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 There are no climate change implications as a result of this report.

10.0 RISK MANAGEMENT IMPLICATIONS

10.1 A major technology and associated business change project brings significant risks. Appendix B sets out the key risks of the procurement which cover timescales, resourcing and dependencies, implementation, procurement and costs. The procurement and implementation approaches seek to mitigate the identified risks.

10.2 Conversely the project presents opportunities to implement best practice, applying a modern fit for purpose system; ensures future resilience and a sustainable model that can flex as the Council transforms and matures over the coming years.

11.0 REASONS FOR RECOMMENDATIONS

11.1 To enable the procurement and implementation of a fit for purpose finance system, delivering "out of the box" functionality to support modern, best practice ways of working and best value to the council as a whole.

12.0 RECOMMENDATIONS

It is recommended that:
- i) approval is given to commence a competitive procurement for a new financial management system, on-going support and associated implementation;
- ii) a further report be submitted to the Executive for consideration following conclusion of the tender process.

APPENDICES:

Appendix A – Current finance system contracts
Appendix B – Risks and mitigations

BACKGROUND DOCUMENTS:

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15 May 2024

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Current Contracts

Contract	Supplier	Start Date	End Date
Oracle Master Agreement	Oracle Corporation UK Limited	11 November 2014	N/A – perpetual licencing
Oracle Planning and Budgeting Cloud Service	Insight Direct (UK) Limited	9 December 2020	8 December 2025
Oracle Planning and Budgeting Cloud Service Support	Mastek (UK) Ltd	26 July 2021	25 July 2024 (with one 12-month extension)
Oracle Application Support	Rimini Street, Inc	4 October 2021	3 October 2024
Oracle Database Support	Oracle Corporation UK Limited	Annually each October	Annually each October
Accounts Payable Audit Solution	Fiscal Technologies	28 November 2023	27 November 2025
Direct Debit Payment Solution	Boxxe Limited	1 October 2021	30 September 2025
Making Tax Digital	AbraTax	Annually each December	Annually each December
Bottomline Transform (Supplier Remittance)	Bottomline Technologies, Inc	Annually each December	Annually each December

Risks

Insufficient implementation period	Discovery and market engagement suggests external suppliers can implement within available window. Concerns regarding internal resource if implementation period is too short (or extends for a further financial year). Significant resource to be stood up for an extended period that may be at risk were the project to be delayed (due to further restructures and savings). Project manager and Senior Responsible Officer working up the resource requirement.
Scope of requirements and impact across multiple council services	Council wide system. The extent and range of interaction with other systems in use - 350 budget managers within the organisation means that there are significant dependencies, as well as implications on the successful (or otherwise) implementation of this system. Internal mapping and dependencies have been undertaken as part of local government reorganisation and are being validated as part of the project.
One competition removes the flexibility for the Council to select its own implementation partner.	This is an acknowledged risk; however, it is mitigated by the fact that implementation risk sits with the system supplier rather than on a separate contract. This ensures that one supplier is ultimately accountable for the entire contract, and therefore they need to select an implementation partner who they are assured will implement successfully. The risk is also eliminated of any potential issue arising between the system provider and implementing partner.
One contract is less flexible	Multiple contracts would mean that the specification, evaluation, and contract could be better tailored to each contractual obligation. It would also mean that in the event of implementation failure the implementation contract could be separately terminated without putting the system contract at risk. A protracted partner arrangement is not required which would be the main driver for separate contracts. Implementation will be time limited. As this is a key strategic contract for the Council, clear project governance is in place and the contract will be tightly managed throughout the implementation process (before being handed over as part of business as usual).
Cost uncertainty	The current system, and associated contracts have increased since the original implementation in 2014 as additional functionality and support was required. While the new contract(s) will simplify the contractual landscape, our current costing isn't comparable to a modern holistic cloud based financial management system. Indicative costs have been requested of suppliers.