

REPORT TO: POLICY AND RESOURCES COMMITTEE ON 2 OCTOBER 2012

SUBJECT: PROVISION OF MANAGED SERVICES FOR FINANCIAL MANAGEMENT SYSTEM

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

1.1 To advise Members of the intention to implement a spend to save initiative for the provision of a managed service for the Financial Management System by the Moray Council ICT Service.

1.2 This report is submitted to Committee in terms of Section A(43) of the Council's Administrative Scheme relating to Information Technology.

2. RECOMMENDATION

2.1 It is recommended that Committee:

(i) approve the proposal for the Moray Council ICT Service to provide the management of the Financial Management System with an estimated saving of £96,000 per annum.

(ii) approve the appointment of an additional ICT Officer within the ICT Service to meet the additional workload.

(iii) approve the temporary appointment of an additional Accountancy Assistant within the Accountancy Service to meet the additional workload during the implementation period.

(iv) to amend the profile of the capital programme to reflect the earlier project start date.

3. BACKGROUND

3.1 Since 1998 the management of the financial system e5 financials developed by ABS has been provided by a third party, 2e2. The service provides 24x7 management of the ABS e5 Financial Management System and technical environment based in Gateshead and includes:

- General Ledger
- Purchase Ledger
- Sales Ledger
- Purchase Ordering

3.2 The contract for managed services of the Financial Management System environment with the current service provider, 2e2, expires in July 2013. The Financial Management System has been in use within Moray Council since reorganisation in 1996 and prior to that with Moray District Council. The ABS Financial Management System provides a critical service to the Council covering the ordering of goods and services, payment to suppliers and overall management of the financial affairs of the council. A number of business and technical processes have been developed around the ABS Financial Management Solution to provide a robust platform for the general

management of Council duties. There is no intention therefore to replace the ABS Financial Management System only the managed service provision.

4. OPTIONS

- 4.1 With the current contract due to expire in July 2013 the only viable options are to retender for the managed service provision or to consider returning the responsibility for the managed service to the Moray Council ICT Service.
- 4.2 Given the specialist nature of this service provision there are only 2 known managed service providers of the e5 financials product, ABS themselves and the current service provider 2e2.
- 4.3 The current supplier, 2e2, provided the managed service for an annual cost of £370,000 in financial year 2011/12. Assuming existing costs prevail, a further 5 year service provision from the same supplier is therefore estimated at £1,850,000.
- 4.4 Although ABS have not been asked to quote for the service this route would result in the supplier of the product and the managed service provider being the same supplier. Given the application software and data would be located off site this could present a major risk to the Council if anything were to happen to the service provider. In the event the company did go into administration it may prove difficult to continue to order goods and services, pay suppliers and also to manage income for services provided by the council. The disruption to the Council could be significant in this scenario.
- 4.5 The final option considered would see the service being provided by the Moray Council ICT Service. This provides the benefit of a one stop shop for all financial related systems including the core system and all relevant interfaces. Based on estimated costs over a 5 year period this option is considered a spend to save opportunity. Local knowledge of the product, which would need to be developed, will also avoid future spend on new developments that currently rely on third party consultancy.
- 4.6 It is anticipated an additional 1 Full Time Equivalent permanent ICT Officer post (grade 5-7) will be required for the increased management and support required for the Financial Management System. It is further anticipated that an additional 1 Full Time Equivalent temporary Accountancy Assistant (grade 6) will be required to provide support during the implementation phase. The cost for these additional posts have been included in the 5 year service costs.
- 4.7 The estimated start up and ongoing support costs of bringing the managed service in-house for a 5 year period are £1,369,862 resulting in a total saving over 5 years of £480,138 (26% saving) against the existing contract. The 5 year costs of returning the service to the Moray Council ICT service would be contained within the existing revenue budget for the managed service provision. A procurement business case has been prepared and a copy available in the Members Library for information.

- 4.8 Given the potential to return this service in-house a provision of £150,000 in year 2012/13 and £50,000 in year 2013/14 was included in the ICT capital plan.
- 4.9 Following exploratory discussions with the supplier the anticipated timetable for migrating to an in-house provision would have to take place earlier and hence the startup costs would be required during financial year 2012/13.
- 4.10 There remains one issue that requires further discussion around the need for 24x7 support of the financial management environment to cover for daily processing and the monitoring of batch jobs performed overnight. Additional tools have been costed in to the proposal to automate the overnight processes and an allowance for an out of hours on call provision but this requires further clarification with the service area.

5. SUMMARY OF IMPLICATIONS

(a) Single Outcome Agreement/ Service Improvement Plan

No single outcome agreement or service improvement plan implications arise from the content of this report.

(b) Policy and Legal

No policy and legal implications arise from the content of this report.

(c) Financial implications

The ICT capital budget includes provision for setup costs of £150,000 in 2012/13 and £50,000 in 2013/14. The estimated average annual costs for providing the service, including loan charges, is £273,972 against the current cost of £370,000. This represents a saving of £96,028 per annum or £480,138 over a typical 5 year contract.

(d) Risk Implications

It is recognised this represents an additional service to manage and local knowledge will need to be developed. Although there may be a short term knowledge gap which could present some risk to the managed service provision this may also provide a longer term benefit to the council for the development of the Financial Management System.

(e) Staffing Implications

Costs for the managed service of the Financial Management System being provided by the Moray Council ICT Service include provision for an additional permanent ICT Officer post, grade 5-7 and also a temporary Accountancy Assistant, grade 6 for the duration of the implementation phase.

(f) Property

No property implications arise from the content of this report.

(g) Equalities

No equalities implications arise from the content of this report.

(h) Consultations

The following members of staff have been consulted in the preparation of this report and, where appropriate, their comments included in its content.

Graham Cooper, ICT Infrastructure Manager
Diane Law, Payments Manager
Deborah O'Shea, Principal Accountant
Lorraine Paisey, Principal Accountant
Margaret Wilson, Head of Financial Services

6. CONCLUSION

- 6.1 It is proposed to pursue the option for the Moray Council ICT Service to deliver the managed service for e5 financials which, over a 5 year period, should achieve significant savings against the existing costs.**
- 6.2 This option provides a similar service to that currently provided with significant estimated savings resulting in the provision of a best value service for the council.**
- 6.3 It should be noted that an additional permanent post of ICT Officer has been included in this proposal together with a temporary post of Accountancy Assistant for the duration of the implementation.**

Author of Report: Phil McDonald, ICT Applications Manager

Background Papers:

Ref: