**Integrated HR/Payroll and FMIS Project**

# Business Case

**1. Reasons for undertaking the Project**

1.1 IHR/Payroll – Payroll de-supported

1.1.1 As the current payroll application is to be de-supported an opportunity exists for the Authority to move to an integrated HR/Payroll application, thereby removing the duplication of effort, eliminating paper-based processes and helping the Authority make more effective use of the information it holds about employees to generate payments to them. Once fully implemented, the new system will ensure that all relevant information is recorded just once and that corresponding records are updated simultaneously.

1.1.2 The Current application has been in place for ten years and is not integrated across the organisation and this can result in duplication of data, inaccurate reporting and limited communication across the Authority.

1.2 FMIS - Expiry of the Current Contract

1.2.1 The Authority's contract for the provision of its Financial Management Information System (FMIS) is due to expire on 30th November 2013. Without a new contract in place the Authority's financial systems (that include core functional activities such as Payroll, Accounts Payable and Accounts Receivable) will cease to function.

1.3 FMIS - Software Version Obsolescence

1.3.1 Notwithstanding the requirement to put in place a new contract to replace the existing one, the Authority's current Payroll application will be de-supported by the application provider at the end of the current contract. The application has been in operation within the Authority since November 1999. It is imperative to ensure the Authority's financial systems operate utilising supported versions of software to minimise the risks inherent from a failure to do so.

1.4 Business Process Re-engineering

1.4.1 Given the current economic conditions and the financial challenge facing the Authority, it has previously been demonstrated that the use of new technology can improve efficiency and save money. Paper-based processes that once took days now take minutes and the resources required to provide these paper-based systems have been reduced or eliminated.

1.4.2 The current FMIS applications have allowed for significant savings to be made with regard to time and resources due to business process re-engineering. The time to purchase goods and services from suppliers or request items from the Stores has been significantly reduced using online procurement processes. The Exchequer Services Team have made significant use of new technology to automate the payments of suppliers, raise Sales Invoices and provide timely information to service users.

1.4.3 The current HR application allowed for savings to be made when first introduced ten years ago however an integrated system will introduce improved technology, improve data accuracy in real time for management and reporting.

1.5     FMIS - Application Integration

1.5.1   The system for recording issues and receipts from Stores for Clothing, Operational Equipment and Breathing Apparatus in now fully embedded within the financial systems. This has allowed for real-time budget checking to be carried out and for the instantaneous ordering of stock by the relevant Stores Teams. The implementation also addressed audit concerns in respect of the control environment operated within the various Stores functions.

1.5.2   Stores issues are a financial transaction. Transport Stores continue to be recorded discretely within the Authority's MIS, currently provided by Sophtlogic, as part of the integration with fleet management modules. There is concern that the fleet management and associate Transport Stores systems within Sophtlogic are reaching the end of their natural life. Considerable time and effort is being expended to try to make the systems operate effectively with more potential effort required to deliver an interface into the financial system and remove the duplication of effort. However, it is proposed that the new FMIS project will integrate with both the Authority's new Fleet Management application and the Legal Department's Case Management debt recovery module to allow for the seamless flow and provision of information between the various applications.

1.6     Roll-Out of Electronic Services

1.6.1   Currently the ability to input data directly into the FMIS applications is restricted to the Finance and Procurement applications. The Project will see accessibility rolled out to Payroll and Expenses applications, allowing data to be input once, thereby removing paper-based processes and reducing the time and resources required to record key data and generate payments.

1.6.2   Integrating the HR/Payroll application will empower employees to manage and update their personal data and to make information more readily available.  This will result in a reduction of data input and allow employees to access personal details.

**2       Options**

2.1     The option to extend the current contract is prevented by virtue of its existing terms and conditions.

2.2     An opportunity exists to engage with neighbouring Fire and Rescue Services in the North West Region for the procurement of FMIS applications. Lancashire Fire & Rescue Service has approached MFRS with a view to exploring the potential to 'Share Services' between the two Authorities. This option will continue to be explored on the basis of securing the best solution and value for money for Merseyside Fire & Rescue Authority.

2.3     As a consequence of the anticipated term and value of a contract resulting from this Project, to:
        1.  Undertake a competitive tender process; or
        2.  Invite tenders via the Government framework
        to invite prospective suppliers to propose solutions based on the provision of a Hosted Service that will deliver an integrated HR/Payroll system and financial systems. To draw up a specification against which potential suppliers would be required to tender to deliver the business benefits set out in the table below.

## 3. Benefits Expected

| Benefit | | Measure |
|---|---|---|
| 3.1 | **Integrated HR/Payroll** | |
| 3.1.1 | Accurate up to date information in real time. | Results in an automatic real time transfer and update of data from one system to another. A change made to an employees record would show up automatically in the application. |
| 3.1.2 | Duplicate entry - lower the risk of clerical errors | Eliminating duplicate entry reduced the costs associated with administration of HR and payroll by eliminating manual and error prone processes. |
| 3.1.3 | Less Paperwork | With payroll and HR information being held on the same database there is a reduction in unnecessary paperwork. Duplicate paper requests can be eliminated saving time and money. |
| 3.1.4 | Integrated reporting | Real time reporting can be realised without the need to collect information from separate databases and spreadsheets resulting in fast and more accurate reporting. |
| 3.1.5 | Employee requests | Self service approach will allow for direct access to a greater amount of their own personal data and empower employees to request changes online and be confident that the information will be updated on both HR and Payroll applications. |
| 3.1.6 | Integrate HR with other business functions e.g. payroll, occ health, rota | Improve business processes and ensure accurate up to date information in real time. |
| 3.1.7 | Replace legacy applications with a more unified ICT package | |
| 3.1.8 | Provide cost savings or improved cost effectiveness or both. | Improving business processes and having clear business rules built in to the application. |
| 3.1.9 | Improve communications across the organisation | |
| 3.1.10 | Make better use of staff skills | |
| 3.1.11 | Ensure compliance to national & industry regulation | |
| 3.2 | **FMIS** | |
| 3.2.1 | Facilitate the accurate and easy production of the annual statutory accounts. | Statutory accounts produced by 30th June annually and audited without qualification. |
| 3.2.2 | Pay 4 weekly paid staff in accordance with the agreed 4 weekly pay date cycle. | Production of the BACS files in sufficient time to enable banks to process payments so they are in employees' bank accounts by the agreed pay date. |
| 3.2.3 | Pay monthly paid staff on 20th of each month, or the nearest working day prior to the 20th, in each calendar | Production of the BACS files in sufficient time to enable banks to process payments so they are in employees' bank accounts by |

| Benefit | | Measure |
|---|---|---|
| | month. | the agreed pay date. |
| 3.2.4 | Pay pensions on the last working day in each calendar month. | Production of the BACS files in sufficient time to enable banks to process payments so they are in employees' bank accounts by the agreed pay date. |
| 3.2.5 | Have an ability to order goods and services from suppliers. | To produce a purchase order that will include all necessary details to enable any given supplier to deliver the goods/services required. |
| 3.2.6 | Have an ability to pay suppliers for the goods and services ordered and satisfactorily received. | To demonstrate an ability to receipt goods/services received and match that to suppliers' invoices to allow payment in accordance with agreed terms and conditions. |
| 3.2.7 | Availability of automated debtor account generation and processing. | To deliver fully automated sundry debtor processes from Sales Invoice Request to final payment, including all associated credit control activities. |
| 3.2.8 | Availability of automated expense payments to employees and members. | To deliver fully automated expense payments from zero to 1,000 per annum (and associated expenses management processes) by the end of the project. |
| 3.2.9 | Accurately and quickly capture data to make information available on-line and in real-time giving the most up to date and complete picture of the business. | Increase the accurate assessment of actual commitments that are updated once a requisition receives approval and achieved "Order" status. |
| 3.2.10 | Provide easily available, timely and meaningful management information. | Make financial position statements produced by Finance available as and when required. Reduce Cost Centre variance between budget and actual to below 1.5% per annum. |
| 3..2.11 | Support the organisation's business strategy in delivering devolved budgets under cost centre management while allowing the Deputy Chief Executive to maintain an overview of the financial position of the Authority | Maintain at least the current number of users outside the centralised Finance function while developing regular and high-level summary financial poison statements for the Deputy Chief Executive and the Strategic Management Team. |
| 3.2.12 | Increase value for money for providing financial services. | Take cost out of the business. Deliver an improved level of service with additional functionality at the same or reduced cost compared to the existing contract. |
| 3.2.13 | Complement the current ICT strategy in extending ICT access to individual stations and make more effective use of ICT. | See 3.10 above. |
| 3.2.14 | Develop user-friendly interface(s) to make possible widespread and easy use of complementary systems. | Eliminate the need for duplicate entries between the Finance, Payroll, Fleet Management and Legal applications. |
| 3.2.15 | Eliminate the need for paper payslips by the provision of online access to payslip records for all employees and pensioners. To provide employees | Reduction in costs combined with increased functionality. Increase the number of users that have access to the Payroll system from the current number of 25 to potentially all |

| Benefit | | Measure |
|---|---|---|
| | and pensioners with the option for updating certain elements of their personal details by direct input. | employees and pensioners. |
| 3.2.16 | Ability to reflect both current and likely future organisational structures. | Accommodate new cost centre codes and group them as required into discrete functional areas. |
| 3.2.17 | The provision of flexible management reporting, which can be tailored to meet the specific requirements of budget managers, accountants and senior management. | See 3.10 above. |
| 3.2.18 | Be able to contrast and compare financial information with that of previous years | Comparative analysis used to assist in the construction and allocation of budgets to Cost Centres to more accurately reflect need. Increased use of trend analysis to improve forecasting. As a consequence, reduce the variance between budget and actual to a maximum of 1.5% per annum and forecast outturn and actual to 1% per annum, by Cost Centre. |

## 4 **Risks**

4.1 The risk to the Authority arising from the need to undertake this project and the risks to the successful performance of the project are set out on the following documents:

- Corporate Risk Log

- Project Risk Log

**5**      **Costs**

5.1      The costs directly associated with the delivery of systems arising from this project are to be split as follows:

- Capital      -      Installation and implementation of system

- Revenue      -      On-going support once systems have been installed

5.2      A provision of £225k has been include within the capital programme for the procurement of financial systems.

5.3      The Authority currently pays Sophtlogic £165,000 per annum for its existing HR application. This covers three areas – HR, Training records and Fire Safety and is not paid on a modular basis. The impact of payments due to Sophtlogic for residual elements of that application still utilised until final 'cut-over' is completed, since it is intended to use existing budgetary provision to pay for the new applications procured as part of this Project.

5.4      The potential cost of additional functionality required as a result of this project will need to be considered in the context of, but not be disproportionate to, the additional business benefits that will be derived. The judgement in respect of that balance is to rest with the Executive Board.

5.5      An earmarked reserve of £600k has been created to fund setup costs for the delivery of new systems including the FMIS. It is anticipated that the implementation and setup cost of the FMIS will be contained within this provision and the system improvements will represent a significant increase in value for money.

**6**      **Timetable**

| INDICATIVE IMPLEMENTATION TIMETABLE | | | | |
|---|---|---|---|---|
| Stage | Description | Start | End | Users |
| Stage 1 | Selection, award of contract and procurement of new Finance, Payroll, HR & Procurement applications. | August 2012 | Feb 2013 | |
| Stage 2 | Implementation of Finance, Procurement, Payroll, Core HR | Apr 2013 | Nov 2013 | |
| Stage 3 | Go live Payroll, Core HR | | Sept 2013 | 50 |
| Stage 4 | Go live of Finance, Procurement applications | | Oct/Nov 2013 | 1050 |
| Stage 5 | Implementation of remaining HR modules | Oct 2013 | April 2014 | 400 |

6.1      Each Stage will be supported by its own detailed Stage Plan that will be submitted to the Project Board for approval prior to the commencement of the Stage to which it relates.