

AGENDA ITEM:

REPORT TO: Meeting of the	MERSEYSIDE FIRE AND RESCUE AUTHORITY POLICY AND RESOURCES COMMITTEE
DATE:	THURSDAY 27th SEPTEMBER 2012
REPORT NO.	CFO/116/12
REPORTING OFFICER:	DEPUTY CHIEF EXECUTIVE
CONTACT OFFICER:	HEAD OF FINANCE, IAN CUMMINS, EXTN:4244
OFFICERS CONSULTED:	¹ FM&IHR Project Executive Board ² FMIS Project Board
SUBJECT:	FINANCIAL MANAGEMENT & INTEGRATED HR/PAYROLL PROJECT

APPENDIX	A	TITLE	IHR/Payroll & FMIS Project Business Case
	B	TITLE	IHR/Payroll & FMIS Project Risk Log
	C	TITLE	IHR/Payroll & FMIS Project Management Structure
	D	TITLE	IHR/Payroll & FMIS Project Roles & Responsibilities

* **A Glossary of terms has been provided for your information at the end of this Report Purpose of Report**

Purpose of Report

1. To advise Members over progress to deliver a replacement contract for the Authority's Financial Management Information System (FMIS) within a managed service framework on the expiry of the current contract on 30th November 2013 and enhance the current arrangements by integrating HR and Payroll within the suite of applications procured as part of that process.

Recommendation

2. That Members:
 - a) Note the report, and
 - b) Approve the integration of the HR/Payroll applications if proposed solutions are affordable on the understanding that further details about the costs and benefits of a preferred solution will be presented for Members consideration when final tenders are received and evaluated as part of the procurement process.

¹ Deputy Chief Executive, Director of Legal Services, Director of HR, Head of Finance, Head of IT.

² FMIS Manager, Chief Accountant, Management Accountant, Head of Procurement, Exchequer Services Manager, Payroll Manager, Operational Equipment Manager, Applications Manager.

Introduction & Background

3. In December 2005 the Authority entered into a contact with Netstore for the provision of its FMIS within a “hosted service” facilities management framework. In January 2009 Netstore was procured by 2e2 who took over the contract for the provision of payroll and financial applications on behalf of the Authority.
4. The current contract is due to expire on 30th November 2013. The FMIS currently includes the Payroll and core Finance applications, comprising the General Ledger, Accounts Payable, Accounts Receivable, e-Procurement, Purchase Order Processing and integrated Stores modules.
5. The Authority must be able to pay its employees, pensioners and suppliers and produce final accounts in accordance with statutory requirements. The FMIS is used to achieve these objectives and enables the Authority to meet its statutory obligations.
6. In addition, the Authority has for more than 10 years used Sophtlogic as its primary application for managing HR data and system requirements. As 80% of our business concerns people it is integral that all organisational data interfaces effectively to deliver more efficient and cost effective processes. This can help reduce the routine workload of administrators, lower the risk of clerical errors and replace legacy applications with a more unified ICT solution. This will improve communications across the organisation and will make better use of staff skills.
7. To prepare for the delivery of replacement Finance systems from 30th November 2013 that will also include core HR application requirements to enable the integration of HR and Payroll systems and procedures for the reasons set out earlier in this report, it is necessary to:
 - Specify application requirements;
 - Evaluate proposed solutions by prospective suppliers;
 - Select preferred application solutions and managed service provider;
 - Implement and test systems;
 - Train users;
 - "Go-live"; and
 - Support users through the initial phase of implementation.
8. To ensure the Project delivers the system requirements and to minimise risk to the Authority it will be managed in accordance with PRINCE2 principles. This structured approach to project management will give drive and focus to the tasks required to deliver systems on time and within budget.
9. The implementation of an integrated HR/Payroll applications Project is being merged together with the FMIS Project to allow for a single procurement exercise. It is recognised that the scope of these two Projects must be flexible enough to enable the Authority to take full advantage of application integration where that is possible.
10. A formal Business Case for the Integrated HR/Payroll and FMIS Project has been developed and is set out as **Appendix A** to this report. The Business Case includes the measurable expected benefits and associated timetable of key activities.

11. Members are asked to note that considerable resources may be required to achieve all Project activities set out in paragraph 7 above and work routines may need to be changed to facilitate the completion of key tasks. As part of that consideration a consultant has been employed to identify HR application requirements and draft a specification document based on those requirements and to ensure they integrate with the Authority's Payroll requirements. A final Invitation to Tender (ITT) document has been prepared and will be used to invite tenders from the 12 nominated 'IT Managed Services' suppliers under the Government Procurement Service Framework Agreement (RM 717).
12. The responses from suppliers will be evaluated against a 'Total Cost of Ownership' and 'best fit' application criteria to secure both value for money and the desired system improvements including HR\Payroll integration. The outcome of the evaluation exercise will be reported back to Members at the earliest opportunity with a recommendation and associated business case for a preferred supplier to enable Members to make an informed decision about a suitable solution for the Authority.
13. A Risk Log has been created for the FM&IHR Project. For information, the Risk Log is attached as **Appendix B** to this report. There is a risk to the Authority from the timing of the expiry of the current FMIS contract that might necessitate the need to "go-live" with new applications mid-way through the 2013/14 financial year and the need to access archived data using legacy systems to formally close the 2013/14 accounts in line with statutory requirements.

Equality & Diversity Implications

14. There are no direct equality and diversity implications arising from this report.

Staff Implications

15. To minimise risk to the Authority it is essential that a Project of this scope, complexity and value is properly supported and resourced. Consistent with PRINCE2 principles, a management structure for the Project has been agreed and is set out as **Appendix C** to this report. Roles and responsibilities are clearly defined to ensure named individuals assume responsibility for the completion of key tasks so the Project achieves the required outcomes. Details about the various Roles and Responsibilities that have been agreed are set out as **Appendix D** to this report.

Legal Implications

16. The original FMIS contract was awarded under OJEU rules and included provision to extend that contract from 5 years up to a maximum of 8 years. The maximum period of 8 years expires on 30th November 2013. Any extension beyond 8 years would not be compliant with EU law and would effectively be regarded as illegal. However, to minimize risk to the Authority arising from the potential to switch finance applications in mid-financial year, prices relating to a possible extension have been requested from the current Managed Service provider and when received will be shared with Legal Services for full consideration to be given to the legal implications of such an extension (if it were required) together with the associated risks and the impact for the completion of key Project timelines.

Financial Implications & Value for Money

Project and Set-Up Costs:

17. A Capital Investment Reserve, currently £6.6m, exists to support major projects such as the FM&IHR project for which members have made specific provision. This reserve will be used to fund the setup and Project costs that may be between £0.2m and £0.6m depending on the amount of work required to implement and transfer from one system to another. In addition a provision of £0.225m has been made within the capital programme for the purchase of replacement FM&IHR related applications. While it is forecast that this sum will be sufficient based on the best estimates available it will not be possible to determine whether any additional amount will be required until final tenders are received.

Ongoing Revenue Costs:

18. The ongoing service contact payments are expected to be similar to those under the current arrangements.
19. The provision of the Authority's FMIS is currently £0.175m per annum.
20. The Authority currently pays Sophtlogic £165,000 per annum for its existing HR application. However, the application is not charged on a modular basis. Careful consideration will need to be given about the phased implementation of HR requirements of any new integrated HR\Payroll application procured as part of this Project and 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.

Risk Management, Health & Safety, and Environmental Implications

21. There are no direct health and safety or environmental implications arising from this report. Risk management activity is set out in paragraphs 13, 15 and 16 above.

Contribution to ****Our Mission – To Achieve; Safer Stronger Communities – Safe Effective Firefighters****

22. Providing an excellent and affordable service is a core value of our organisation and delivering robust HR, Payroll and Financial applications will improve the delivery of financial services we provide, enable us to meet our statutory obligations and lead to greater efficiency and value for money.

BACKGROUND PAPERS

CFO/191/05 – Financial Management Information System (FM&IHR)

***Glossary of Terms**

FM&IHR	– Financial Management & Integrated Human Resources
FMIS	– Financial Management Information System
OJEU	– The Official Journal of the European Union (the official gazette of record for the European Union).
PRINCE2	– P rojects I N C ontrolled E nvironments
ITT	– Invitation to Tender