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To: The Chair and Members
of the Cabinet

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 27 May 2022

Contact: Karen Strahan, 01392 382264

Email: karen.strahan@devon.gov.uk

CABINET

Wednesday, 8th June, 2022

A meeting of the Cabinet is to be held on the above date at 10.30 am in the Council Chamber - County Hall to consider the following matters.

Phil Norrey
Chief Executive

A G E N D A

- 11 Corporate financial and Integrated Adult Social Care systems replacement (Pages 1 - 8)

Report of the Director of Finance and Public Value, (DF/22/56) on the proposed replacement of the Council's Corporate Financial and Integrated Adult Social Care systems.

Electoral Divisions(s): All Divisions

DF/22/56
Cabinet
8th June 2022

Corporate Financial and Integrated Adult Social Care Systems replacement

Report of the Head of Digital Transformation and Business Support, Director of Finance, and Director of Integrated Adult Social Care

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendation that members approve:

- (a) revenue funding of £12.3million for:
 - the procurement and implementation of a new financial system
 - the procurement and implementation of an integrated Adults Social Care case management and finance system, and a provider assessment and market management solution;
- (b) that the cost of these system replacements be funded from reserves;
- (c) that the capital programme be reduced by the amount previously set aside for the Adult Social Care system replacement; and
- (d) a mechanism to rebuild reserves for this investment is considered as part of the budget setting process.

1. Summary

1.1. The authority has two legacy IT systems that now need replacing. The first is FINEST, our corporate accounting and finance system; and Care First, the Adult Social Care system.

1.2. Modern ICT systems are software as a service and cloud-based, meaning they are hosted externally rather than on premise. Current accounting regulations do not permit these solutions to be funded through capital programme; they must instead be charged to Revenue.

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2. Proposal

2.1. The proposal is for approval for a total of £12.3 million of non-recurrent revenue expenditure:

- £5.8 million is requested for replacement of Adult Social Care systems;
- £6.5 million is requested for replacement of the corporate financial system.

2.2. £4.5 million of capital funding has previously been agreed by Cabinet to fund replacement of the Adult Social Care systems, but it is now no longer the appropriate funding source, and so can be de-committed and planned capital expenditure removed from the capital programme.

Corporate Finance System programme

2.3. Replacement of the Council's general ledger system "FINEST" is required by the end of 2025; underpinning technology will not support it from that date. The project is coming to the conclusion of its exploration and design stages and expects to begin the procurement stage in July 2022.

2.4. This programme is an opportunity to replace a system which has been in use within the Authority since 1995, and which was designed on practice from the previous 10 years, with modern technology and industry best practice. The project is aiming to "adopt not adapt", to bring in best practice with the new system and to change the way we work to make best use of it.

2.5. The current system is functionally limited. Modules have been added to it over the years to expand its functionality (Onbase Procure to Pay (P2P), budget reporting modules), but integration between systems remains challenging and it remains very hard to see a clear and complete snapshot of a budget at a given time without specialist finance support. It presents challenges for interoperability of data across systems and services which creates the need for manual processes to develop reports and format data for input. This creates risks around data quality and human error which undermine trust in system recorded data. In addition it requires on premise support which does not align with the rest of the Council's ICT architecture, creating risks for business continuity and hidden costs for maintenance and integration.

2.6. A new system would be in line with our ICT strategy and improves our readiness for future change, delivers productivity benefits through improving access to financial information and reduction in manual intervention.

2.7. The estimated cost of the replacement project is of £6.5 million to the end of 2025/26, to include procurement and implementation of a new system. As this is a one-off cost it is appropriate to fund this from the Council's Earmarked Reserves.

Adult Social Care management system programme

2.8. The Integrated Adult Social Care Programme includes the replacement of the case management and finance system and the implementation of a Provider Assessment and Market Management System (PAMMS).

2.9. The Council has been using our current case management system (CareFirst) for more than 19 years on a series of rolling contracts. The current system is not intuitive and adds to the burden of recording upon already pressurised frontline staff.

2.10. The requirements gathering phase of the programme has now concluded and a full specification has been developed. The procurement stage is planned to commence in July 2022.

2.11. Current systems constrain our ability to transform the service; work in new and innovative ways enabled by modern, digital systems. They also constrain opportunities to collaborate with our partners, particularly those in health; providing our partners with access to case information is both costly and inefficient.

2.12. Taking the learning from other ICT implementations Devon County Council aim to improve individuals' journeys to keep well and healthy by taking the opportunity to enhance practice and process in a proportionate way alongside the planning and implementation of the new case management and finance system.

2.13. The estimated cost of the replacement project is £5.8 million to end of 2025/26. As this is a one-off cost it is appropriate to fund this from the Council's Earmarked Reserves. £4.5 million of capital funding has previously been agreed by Cabinet to fund replacement of the Adult Social Care systems, but it is now no longer the appropriate funding source, and so can be de-committed and planned capital expenditure removed from the capital programme.

ICT strategy

2.14. The Council's ICT strategy promotes a "cloud-first" approach. Cloud-based software presents a number of benefits for the Authority, including:

- enabling the organisation to operate at pace, with regular software updates, thereby increasing the security of the application;
- providing support and flexibility for new operating models, meaning services can scale up or down as required and ensuring continuity of service when services are divested or invested;
- increasing the resilience of services, by ensuring that services and data back-ups are held on multiple geographic sites;
- enabling applications to run over the internet, supporting the Council's hybrid working approach and enabling easier sharing of information with partner organisations;
- reducing the demand on internal resources, meaning time can be spend developing new and innovative services; and
- Reducing large capital investments needed to replace ageing hardware in the main computer room.

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2.15. Cloud-based software and other cloud computing arrangements which provide "Software as a Service (SaaS) are accounted for under International Financial Reporting Standards (IFRS) as a service contract i.e. revenue expenditure.

2.16. In discussions with the programme teams for the Corporate Finance and Adults Social Care programmes it has been determined that Software as a Service is the preferred option, and this aligns with the overall Devon County Council Digital Strategy to adopt Cloud Solutions.

2.17. When budgeting for such arrangements it is expected that much of the cost will need to be met from Council revenue reserves, rather than Capital financing.

2.18. Any project costs which are funded by capital may be financed by internal borrowing which is repaid from revenue over the life of the asset, in accordance with our Minimum Revenue Provision (MRP) policy. In the same way, a mechanism for replenishing reserves balances will need to be established which will be put forward for consideration as part of the budget setting process.

3. Options/Alternatives

3.1. Procurement of new systems is the only viable proposal for the replacement of both care and financial systems.

3.2. Both the existing financial system and the existing adults case management system are legacy systems which the Authority needs to replace. CareFirst6 has been with the Authority since 2003 and FINEST, the accounting system, since 1995. Neither system aligns with the ICT strategy, leading to increased maintenance costs for the Authority and increased risks. The platform supporting FINEST will cease to support it from December 2025, and so a new financial system needs to be in place well before then. Continuing with either system is not a viable option.

3.3. Upgrading the existing software platforms does not provide a viable alternative. The financial system has not been developed by the current supplier in line with the rest of the market and upgrading the existing software packages to cloud-based platforms would not be feasible.

3.4. Building software would also not present a viable alternative for systems of this complexity for either finance or adult case management. The market for technology solutions in both areas is advanced. Building and maintaining equivalent systems internally would not provide value for money.

3.5. Both programmes have considered options around the scope of what is procured. For the financial system options considered included limiting the scope to only the functions offered by the current accounting system or at the other extreme, extending the scope to the functions offered by systems outside of the Finance function, such as HR. In the end the final scope chosen for procurement includes functions currently performed by systems added on to the finance system ("procure to pay", income management and payment gateway, budgeting and reporting, debt management) as well as the core accounting system functions. This maintains the "best of breed" modular approach to core corporate systems for the time being, with a separate Finance and HR system, but consolidates financial systems to improve interoperability.

3.6. All proposals for core functionality and non-core functionality for the integrated Adult Social Care case management and finance system have recently been reviewed in detail and after considering the approach to procurement, some of the non-core components have been taken out of the tender evaluation.

3.7. CareFirst currently serves as the children's services finance system. Options for management of children's services finance are under investigation, and for the time being this is not included in the scope of procurement. We will reserve the right to purchase this later if required.

3.8. Both programmes have also considered whether to limit procurement to options that would qualify for capital funding. This would limit the Authority to on-premises implementations of software, which would present risks for future-proofing the technology and for bringing in technology that best supports the Authority's transformation objectives and would be out of line with the ICT strategy.

4. Consultations

4.1. No formal consultation is required for replacement of the financial system. As part of developing user requirements for specification the programme has engaged with groups of users from across the Authority and Finance, including 3 workshops with non-finance users of FINEST, 14 workshop sessions with Finance team meetings, and over 40 user story interviews to this point. Further engagement is planned as part of the evaluation and implementation phase of the programme.

4.2. Approximately 80 engagement sessions have been held as part of the requirements gathering phase of the Adult Social Care system programme, this included engagement with staff, providers, service users and carers. Further engagement is planned as part of the implementation phase of the programme.

5. Strategic Plan

5.1. These proposals align with the Authority's vision and priorities in the [Council's Strategic Plan 2021- 2025](#), contributing to our objectives for how we work as a Council, including but not limited to:

- supporting us to “make best use of our data and intelligence” by ensuring there is greater visibility of financial information alongside operational data;
- supporting us to transform the way we work – by ensuring that up to date financial information is available to budget managers and when they want it, without having to come through finance;
- ensuring that suppliers and customers of the Council are able easily to see information on their payments or charges and to access information on the status of their accounts by investing in digital solutions;
- supporting financial resilience and improved financial planning, by ensuring that the financial system minimises manual processing, improves trust in system-held financial data, and drives better assessment of financial implications in decision-making, and higher-level financial planning.

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5.2. In addition, these new systems are in line with the Authority's [Digital and Technology Strategy 2021-2024](#), particularly in relation to updating line of business and corporate systems, supporting better access to intelligence and investing in more user friendly and intuitive systems.

6. Financial Considerations

Estimated cost of the proposals and funding sources.

Corporate Financial System replacement

£000	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	<u>Total programme funding</u>
Required revenue funding	£400	£2,200	£2,500	£1,400	£6,500

Adult Care System replacement

£000	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	<u>Total programme funding</u>
Required revenue funding	£1,200	£2,500	£1,900	£200	£5,800

Total revenue funding required from Reserves across all programmes

£000	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	<u>Total funding</u>
Total	£1,600	£4,700	£4,400	£1,600	£12,300

7. Legal Considerations

7.1. The lawful implications of the proposals have been considered in the preparation of this report.

7.2. As with any procurement there is a risk of legal challenge. We are working with procurement colleagues to ensure that the correct procedures are followed to minimise these risks.

8. Environmental Impact Considerations (Including Climate Change)

8.1. We do not believe either of the major systems proposals will significantly affect greenhouse gas emissions. By aligning with the corporate ICT strategy they are expected to improve the resilience to climate change of the Authority's systems for business continuity.

9. Equality Considerations

9.1. Consideration has been given to the equality impact of these programmes. Both programmes have included assessment of the accessibility of software and will be assessing accessibility as part of procurement evaluation. A full impact assessment will be provided at the point of contract award prior to implementation. Any replacement software for the financial system would improve accessibility, as the current system does not meet accessibility requirements. Any aspects of either programme which affect the experience of the public in interacting with Devon County Council (e.g. Financial portals for creditors or debtors, or portals for care recipients or suppliers) will be assessed during procurement evaluation for their accessibility and their impact on the customer journey.

10. Risk Management Considerations

10.1. These proposals have been assessed and all necessary action is being taken to safeguard the Council's position.

11. Public Health Impact

11.1. There are not expected to be any public health implications for either programme.

12. Summary

12.1. This investment will enable the Council to proceed with the replacement of two of its most important systems, which will enable the organisation to maximise opportunities for greater efficiency, streamlining of processes and future proofing our systems.

Matthew Jones

Head of Digital Transformation and Business Support (interim)

Angie Sinclair

Director of Finance

Tim Golby

Director of Integrated Adult Social Care

Cabinet Member for Organisational Development, Workforce & Digital
Transformation: Councillor Andrew Saywell

Cabinet Member for Finance: Councillor Phillip Twiss

Cabinet Member for Adult Social Care & Health Services: Councillor James McInnes

Local Government Act 1972: List of Background Papers

Contact for Enquiries: Jennifer Ryding

Tel No: 01392 382511 Room: 180

Background Paper	Date	File Reference
Nil		

