

Corporate Infrastructure and Regulatory Services
Scrutiny Committee

Modernisation of the Corporate Finance System Spotlight Review

February 2023

1. Recommendations

The Spotlight Review asks the Cabinet to endorse the recommendations below:

- 1. The Spotlight Review supports the aims and vision of the Future Finance Project and requests Cabinet maintain corporate prioritisation of the project until at least December 2024.**
- 2. That the Cabinet ensures there is sufficient staffing and resources for the delivery of the project and is prepared, if required, to increase the number of officers supporting the project to ensure smooth delivery.**
- 3. The service considers the creation of a local archive of financial data in case of a potential breach or malfunction as part of Disaster Recovery and Business Continuity planning as FINEST gets closer to the end of its life, as per the recommendation from Moore Insight.**
- 4. That a Standing Overview Group (SOG) of the Corporate Infrastructure and Regulatory Services Scrutiny Committee is held around 3 months after the awarding of the contract to review the Future Finance Project and these recommendations.**

2. Introduction

2.1 This Spotlight Review was established following the masterclass session on Friday 20th May 2022 setting the Scrutiny Work programme for the municipal year.

2.2 The Council's current corporate financial system, FINEST, has been in place since December 1994. The platform that runs the system is being wound down in December 2024. FINEST is outdated, functionally limited and currently creates a risk to the Council's ICT infrastructure. This means the Council needs to move to another system with enough time for implementation and one that aligns to the Council's ICT strategy.

2.3 The Scope of the review was as follows:

“Scrutiny Councillors are asked to evaluate the Future Finance Project's aims, plans and risks to determine if the approach aligns to our corporate priorities and best value. In particular, focusing on quality, governance, and budget.”

2.4 The timing for this Spotlight review was determined by the Council's need for Scrutiny involvement on the future corporate finance system before contracts are awarded. This is a time-critical project as the contract is expected to be awarded by April 2023. As such, this report will be reported straight to Cabinet on 8th March 2023 with Corporate Infrastructure and Regulatory Services (CIRS) Scrutiny Committee Members reviewing it at their meeting on 23rd March 2023.

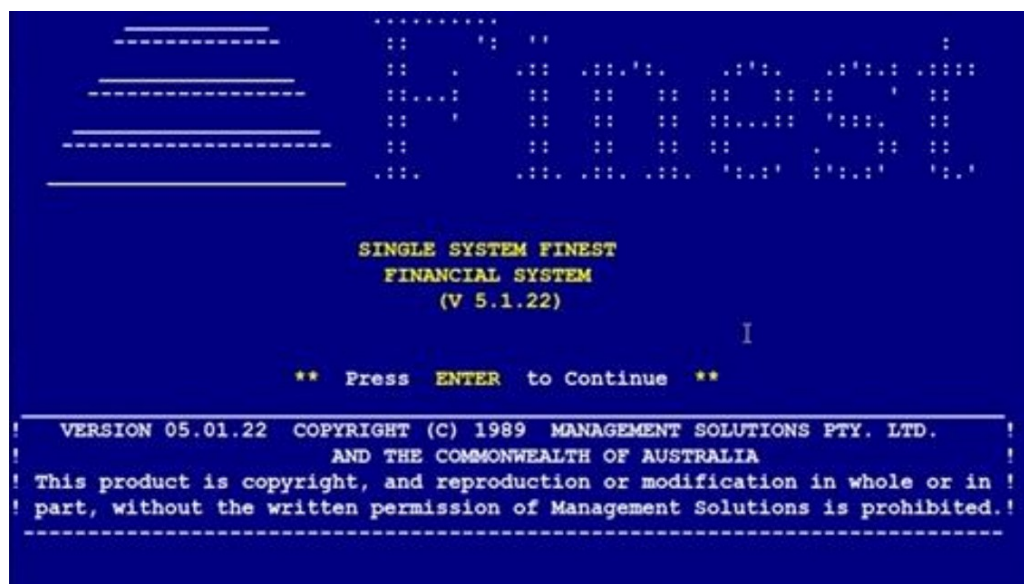
2.5 The spotlight review took place on the afternoon on Friday 10th February 2023 in a remote meeting via Teams. Membership of the spotlight review is detailed at the end of this report.

3. Background

4.1 Devon County Council's corporate financial system is a software system that contains the organisation's accounting records, detailed budgets, and enables the Authority to make financial transactions.

4.2 The importance of the finance system to the Authority and Devon's economy is not to be underestimated. Each year, around £1.6bn worth of payments and spending is transacted through the system and it underpins much of how the organisation works. Much of the processes, signs offs and interactions with the Finance team revolve around the use of the financial system.

4.3 The Council's current corporate finance system is FINEST, provided by Software AG (UK) Ltd. The Council has had this contract since December 1994 (Devon County Council, 2019). The value of the contract is £450,206 per annum (Devon County Council, 2022). There are also internal support costs. An example of the interface of the system is show below.



4.4 Currently, as the ledger system FINEST interacts with a number of other systems across the Council including:

- Line of Business systems including Social Care, Education, Highways, Transport, etc.
- Payroll and Expenses via Itrent.
- Payment Gateway via CIVICAPay.
- Credit Management via ASH.
- Purchase to Pay via ProcessFlows.
- Treasury Management via Logotech.
- Budgeting and Forecasting via Collaborative Planning.
- Management Information via PowerBI.

4.5 In June 2022, [Cabinet agreed](#) to fund the system replacement of £6.5 million from earmarked reserves as a one-off cost (Devon County Council, 2022). The cost is met from

reserves rather than as capital expenditure due to the desired procurement of a cloud-based system which is financed via subscriptions rather than buying a piece of software.

4.FINEST replacement

- 4.1 With the platform (AIX) being discontinued on 31st December 2024, it leaves the Council in a position where it has no choice but to replace FINEST. This is because there is significant risk in trying to transfer the program to another platform and it would be an unacceptable risk to the authority to continue to use FINEST with no platform. With no platform, problems and issues would not be able to be resolved and it would leave the Council vulnerable to cybersecurity breaches and system failure.
- 4.2 The Council is the only known client left for FINEST in the UK, as all other users replaced the system well over a decade ago. This lack of commercial interest is one of the reasons why the platform is being discontinued by the supplier because of the lack of viability of the system.
- 4.3 Aside from this reason, there are a number of other reasons why the Council needs to move away from FINEST. The system is now more than 30 years old and the Spotlight Review was told that the Council has maximised the asset life of the software. FINEST is a manual process driven system. The language and coding of the system is dated and there is limited technical expertise on the system because professionals no longer work with the coding of the system. In addition, there is an increasing cost and risk to the Council. The increasing cost and risk are associated with the diminishing resources and expertise available to keep the system secure and maintained when problems occur. Witnesses highlighted there a very small number of Officers within the Council who had technical expertise on the system.
- 4.4 Members were told how the FINEST system is functionally limited. Modules have been added to it to expand its functionality but integration and interfaces between systems remains challenging. For example, Members were told how it is 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 undermines 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 (Devon County Council, 2022).

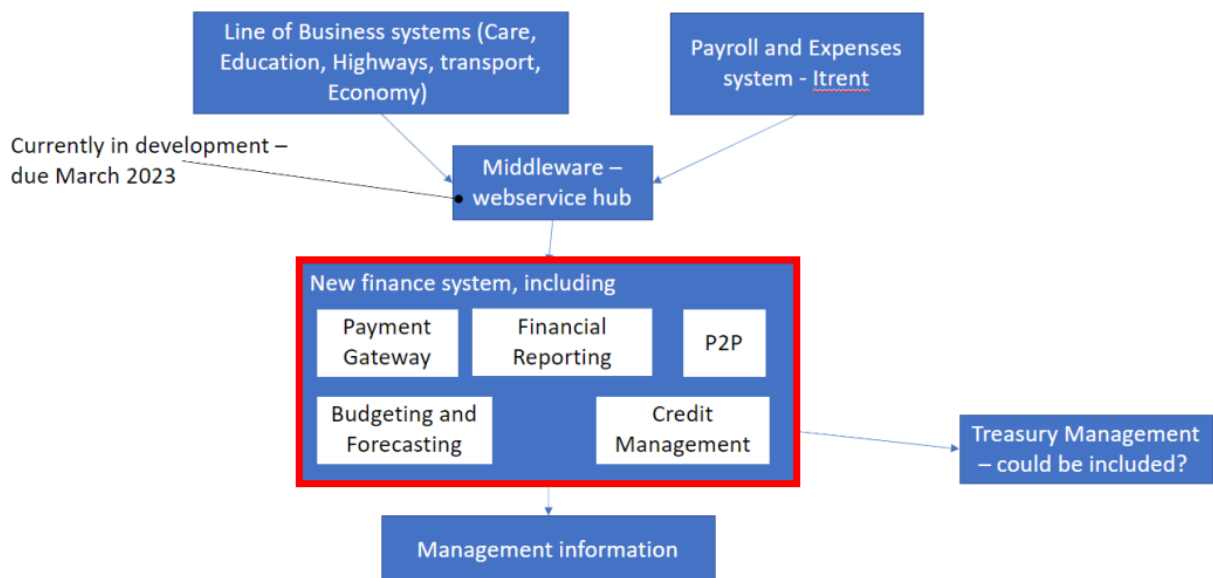
Procurement of a new corporate finance system

- 4.5 The Spotlight Review considered that the replacement of the corporate finance system presents an opportunity to replace a system based on modern technology. The project is aiming to bring in a new system, based on current best practice and to change the way the organisation works to make best use of it. The project is two-pronged, the first is the procurement of the finance system and the second is to ensure that a new system can transform the way the Council works and realise future benefits of the finance system.

4.6 The Spotlight Review was told that the Council intends to and is in the process of procuring a new corporate finance system. The Spotlight Review was advised that the procurement of a cloud-based system is the only viable proposal for the replacement of the corporate financial system. The project is using an “adopt, not adapt” principle, procuring a tried and tested system already available on the market to get the best from it rather than creating or customising an in-house own system.

4.7 The system that the Council is looking to procure will replace a number of systems into just one system including the payment gateway, financial reporting, budgeting and forecasting, purchase to pay and credit management. In order to interact with other systems, a middleware web service hub system is being developed to collect information from the other business and services systems and to standardise the way these systems process information and input into the financial system.

Expected future model



4.8 The new system also needs to align to the Council’s ICT strategy to reduce maintenance costs and reduce the level of risk to the Council. The Council’s ICT strategy promotes a “cloud-first” approach. According to witnesses, cloud-based software presents a number of benefits for the Council including the ‘evergreen’ principle. This is when the supplier holds the systems and software and is responsible for maintaining and upgrading the system. Most of the system ownership risk is therefore with the software provider.

4.9 Included within the £6.5m budget agreed by Cabinet, there is a 30% contingency fund. Members were told that the overall tender that went out to procurement wasn’t capped as the Council wanted to let the market understand the Council’s requirements and come back with a price. However, the bids that have been received so far are within expectations. The Spotlight Review was advised that a high contingency figure is appropriate, learning from previous experiences of system implementations in the Council. There is a contingency budget for inflation, however Members were told that in June 2022 there was no indication of the recent surge in the rate of inflation and

Officers are mindful of the impact of this on the budget, although there are currently no major concerns.

4.10 The proposed timescale is to award a contract in April 2023 to allow for a one-year implementation period until April 2024. This leaves the Council with 8 months to transfer away from FINEST and to decommission the system by December 2024. The Spotlight Review was told from witnesses and from the external scrutiny consultants Moore Insight that the biggest risk to the Council is that the deadlines are not met. The one-year implementation period is already “tight” and any delays could be damaging to the Council. Moore Insight stated that missing deadlines is the “biggest challenge by far” to the project and that “speed is critical”.

4.11 As part of the governance of the project, the Council has sought external ‘critical friend’ consultants Moore Insight to be non-voting members of the project board to provide an assurance and advisory role. Moore Insight told the Spotlight Review that their work involves 5 formal points of review, their attendance at the project board meetings as well as regular contact with finance colleagues throughout the project.

5. Evaluation of the Future Finance Project

5.1 Members heard from a range of witnesses across the Council and partners who are involved in the Future Finance Project or have relevant experience in other fields to inform the work of the Spotlight Review.

5.2 To consider the evidence presented to the Spotlight Review and in reference to the scope of the Spotlight Review to “evaluate” the project’s aims, plans and risks, a SWOT analysis has been completed.

Strengths

5.3 The Spotlight Review believed that the replacement of FINEST and the procurement of a new corporate finance system would have a number of benefits to the authority. Members supported the view that FINEST needed to be replaced and that the project should be a priority for the Council.

5.4 Members supported the desire of the project to procure one cloud-based finance system and the project’s “adopt not adapt” principle. This means that the Council would procure a system from a known supplier which already exists and offset its risks in maintaining and upgrading the system. Examples of the common systems used in local government were given as Oracle and Unit 4.

5.5 Witnesses to the Spotlight Review assured Members that a cloud-based finance system would be compatible with the Council’s Digital and Technology Strategy and existing ICT infrastructure. Witnesses gave assurances that these systems would comply with the Council’s quality and performance standards and the Government’s technology code of practice. Members were told that the project is working closely with the digital technology teams, who have been involved in the specification in the procurement and the evaluation as members of the project board.

5.6 Members were confident that there was the correct governance process in place. The project board includes a number of staff from across different teams and witnesses told the Spotlight Review that they believe the right assurance is in place for the project going forward with a project board, involvement of Scrutiny Members and external scrutiny from Moore Insight. Members appreciated that while assurances were given, projects like these always carry an element of risk so were supportive of Officers completing additional work and re-challenging the Council's expectations to make sure the project team has considered as much as they can. Witnesses told the Spotlight Review that they appreciated the insight from Moore Insight in their assurance role and Officers offered to ensure there are future updates to Members as the project continues.

5.7 It was clear the project is taking a cross-Council view and seeking to take into consideration the lessons learnt from previous IT system implementations. The Spotlight Review was told how the project is taking the lessons learnt from Itrent team that they needed more people and time for training and supporting users. The project team is expecting to need to provide a range of time and methods for training, although this depends on the system that the Council procures. The project team has also been in contact with other teams on their experiences on getting staff engaged in projects across the Council and 'champions' roles. Members were pleased to hear some of this work has start already with some testing from potential bidders from across the organisation and that there is an 'Advocates' group of around 50 members of staff committed to the project.

5.8 Members were concerned about the implementation and how the Council would be able to track the performance of the system. The Spotlight Review was informed that software exists which can support the transition by being able to see if the old and new systems reconcile and if the system produces a budget report. Moore Insight suggested GL Link as software to consider. If a problem is uncovered, the Finance team could revert to the old system to solve it. Once the Council is completely on a new system, Officers can monitor throughput of invoices and payment deadlines which indicate processing speeds. Officers can also process help desk calls and logs to see what users are reporting back as issues.

Weaknesses

5.9 Members considered one weakness in the project and the replacement of FINEST. While supporting the 'adopt not adapt', it means that the Council cannot customise its future software system and instead will "take something off the shelf". This will mean that there will be compromises in what the Council's requirements are against what current systems can offer. However, the current systems that the Council could potentially procure are of "good" quality and performance and many other local authorities use them.

Opportunities

- 5.10 The Spotlight Review considers the implementation of a new finance system presents a number of opportunities including the potential for a cross-council transformation of how the organisation uses financial information.
- 5.11 One of the immediate benefits of a new, modern system is the increased dynamism of the finance team and the efficiencies that could be found. Witnesses highlighted that a number of processes will be made redundant and there will be a reduction in manual tasks and improved productivity for staff. Creating reports and data manipulation will be easier and less laborious as all the information will be on one system rather than multiple systems.
- 5.12 In the longer term, there could be some savings as efficiencies are embedded. Whilst Officers made clear there are no expectations of redundancies immediately. As staff leave or retire through natural wastage there may be some long-term savings to realise efficiencies brought about by the modern system. Members heard that in the first instance, the project is aimed at making processes redundant and retaining staff to help with the longer-term transformation.
- 5.13 Members heard that the second part of the project, once a new system has been implemented, is about the Council's use of financial data and improving financial leadership across budget holders. This includes a wider transformation of how the organisation works. A cloud-based finance system will allow budget holders to be able to access more information about their budgets. This will increase the use of self-service within Finance and allow for budget holders to look through some of the detail themselves without needing to rely on Finance colleagues.
- 5.14 This means the budget holders will be empowered to see real-time information and use it to help with their decision making. Part of the project is based around how the organisation uses financial data to make timely, informed decisions. Members were told that there needs to be a change in the mindset of the organisation on how it accesses and uses data. A new system presents a number of cultural opportunities for leaders and managers, but those leaders and managers need to engage with the data. Officers described the longer term transformation is about how the organisation embeds financial leadership in the organisation rather than just seeing finance as "accounting". This will involve looking at how the Council spends money, making strategic decisions, scrutinising the public value of spending and challenging and supporting the organisation to do this.
- 5.15 While this is not an immediate benefit, it is part of the project's vision. Members were told that with a number of processes being made redundant, finance colleagues will have more time to support other staff and services to help embed financial leadership and embed financial data into their everyday work.
- 5.16 Witnesses also added that Members too could be users of the new system and the new system could improve Members' access to financial information and the Finance team to help them understand and scrutinise the Council's financial position and budgets, should Members wish to gain access to the system.

5.17 The Spotlight Review was told that the new system will have additional modules that can be added if needed to acquire new functionality if the Council's structures change. This is one of the advantages of cloud-based system: being able to scale up or down. This means that the system can grow and evolve with the organisation should internal or external structures change. Currently, FINEST would present considerable challenges if structures changed so a new system provides opportunities should the Council move to change any structures. In addition, the Spotlight Review was told that with a new system, the Council could expand its collaboration with partners and there is a potential for sharing support or services, but consideration has to be made and it would be for the Council to decide how to use its resources.

Threats

5.18 The Spotlight Review considered that the biggest threat to the project is the potential lack of available resources and the potential for the organisation to miss its deadlines which would leave the Council open to an unacceptable level of risk.

5.19 Members heard that the greatest challenge by far to the project is the timescales because of the very tight timetable to implement a new system. The Spotlight Review was told that "time is not on our side" which Moore Insight supported by stating that it takes around one year to implement a new system. The Council has one year in its project plan to move off FINEST by April 2024 and to have an 8-month post-implementation period.

5.20 Members understood that the project cannot afford to run over time wise, as the current timescales are just about realistic, and the project can't go beyond December 2024. Members were told that normally with some projects, there are some options to postpone or extend projects, but this could not happen with this project. To mitigate against this, the tender documents that went out to suppliers are clear about the timescales, deadlines and the expectations for potential bidders. These plans will be scrutinised when the Council has chosen a potential preferred bidder and the project team would do a deep dive into their products and solutions. The Spotlight Review considered that these plans and decisions could be considered and scrutinised when Officers update Members at a later date.

5.21 Members considered that a threat to the project is the sheer scale of the work that is involved to get the organisation ready to implement a new piece of software. Implementing new systems is complex and requires a large amount of due diligence. Moore Insight told the Spotlight Review that the Council's project plans needed to be wider than the software provider's plan because the organisation has more to do. This is not stressed during the sales cycle as the organisation sometimes has up to 3X more work to do including data cleansing, data migration and testing. As such, the Council needs to be aware of the resource implications.

5.22 In order to meet deadlines Members of the Spotlight Review were mindful about the resources and organisational capacity for the project. Witnesses commented that the Council has made assumptions about the level of resources needed and there may be a need during the implementation phase to 'pivot' staff to the project for testing. This

would have to be resourced from within existing teams. Members were concerned that if there was no additional budget, then additional staff might have to be brought into the project, maybe at short notice. Without this, there could be a threat to the success of the project. Without the correct resources at the right time, timescales and deadlines could slip and this could leave the authority in an unacceptable position.

5.23 Members considered the work being undertaken in the data cleansing processes and ensuring it is in a usable condition for the new system. Members were concerned that not enough data cleansing work was being completed currently and Officers were aware of some gaps and some repetition in the data that needs cleansing. Members were informed that the project team has gone out to market for external support for data cleansing because some of the work can be automated but were concerned to learn that the organisation needs to do more to be ready for the implementation.

5.24 Members were concerned about the security of any new system and how the Council can ensure that it is secure. Moore Insights highlighted that cloud systems are very well protected from a cybersecurity point of view and the evergreen principle means the Council does not have responsibility for that risk. Witnesses added that through the procurement process there are checks and balances around GDPR and cyber security assessments to check the required resilience of the suppliers.

5.25 In relation to that, Members raised the cost of the authority to store records securely from FINEST. Witnesses stated that the project is reviewing storage through the data migration strategy to fit into legal timescales (6+1 years for most records) and how much data we need to keep. The Spotlight Review was told that project team has asked potential suppliers on the cost they expect when migrating and can update Members on the budget in due course.

5.26 The Spotlight Review heard that the biggest risk to the authority and the project is incomplete financial data to back up records should something go wrong. Whilst there is a low probability of this happening, it would have a very high impact. Advice sought from Moore Insight was to recommend to build up a local archive of financial data every day. Whilst the Members heard that some of this work is going, Members want to ensure this is taken seriously and actioned by the project team as a matter of urgency.

6. Conclusion

6.1 From the SWOT analysis, the Spotlight Review clearly believes that there are a number of strengths and potential opportunities with the project and the implementation of a new corporate finance system.

6.2 The Spotlight Review supports the aims and vision of the Future Finance Project and believes that there is a clear opportunity for the Council with the replacement of FINEST to modernise and transform the Council's systems and use of financial data.

- 6.3 Members of the Spotlight Review articulated their experience of previous finance systems and implementations and were pleased to see that the project was drawing upon the experiences of other teams to learn lessons from previous systems.
- 6.4 There are a number of threats and challenges to the project which could be critical to the success of the project. However, Members were assured that witnesses across the Spotlight Review understood the risks of the project and that appropriate mitigations were in place.
- 6.5 Members understood that projects of this size inevitably carry risks for the authority but recognise the advice that the current risks to the authority with FINEST are higher than risks associated with the procurement and implementation of a new system.
- 6.6 The Spotlight Review wishes to impress on the Cabinet and Council the urgency of this project. Any delays past December 2024 would be unacceptable and severely damage the reputation of the Council.
- 6.7 Finally, the Spotlight Review wished to place on record its thanks to the teams behind the project and commended the work of the teams thus far.

7.Sources of evidence

The Spotlight Review heard testimony from a number of witnesses and would like to express sincere thanks to the following people for their contribution and the information shared:

Alex Hosking	Assistant Director of Finance	Devon County Council
Jenny Ryding	Head of Finance Transformation	Devon County Council
Gavin Punchard	Procurement Manager – ICT	Devon County Council
Bradley Hutton	Senior Assurance Manager	Devon County Council
Marisa Smyth	ICT Strategy and Engagement Manager	Devon County Council
Carl Haggerty	Strategic Interventionist	Devon County Council
Peter Morley	Director	Moore Insight
Nathan James	Client Delivery Director	Moore Insight

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8.Spotlight Review Membership

The Spotlight Review was chaired by Councillor Jacqi Hodgson and membership was as follows:

Corporate Infrastructure and Regulatory Services Scrutiny Committee	
Councillor Alistair Dewhirst	Councillor Jacqi Hodgson
Councillor Jeff Trail	

9.Contact

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