

Brighton & Hove City council

Policy & Resources Committee

Agenda Item 119

Subject: Corporate Finance & HR Systems

Date of meeting: 24 March 2022

Report of: Executive Director, Governance, People & Resources

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The council's corporate Financial and HR/Payroll systems are currently provided by two suppliers: Civica UK Ltd provide the financial system (Civica Financials/Purchasing) and Midland HR (MHR) providing the HR/Payroll system (iTrent). The associated HR system Tribepad provides the recruitment applicant tracking system for the council. The contracts for all these systems provide for support and maintenance as well as the software.
- 1.2 The current Civica contract is due to expire on 31st March 2022 and the MHR contract on 14th April 2022.
- 1.3 These contracts are managed and monitored corporately by Business Operations on behalf of all services and local authority schools in the city, alongside several external organisations that purchase a managed service from the council.
- 1.4 The council has employed external consultants to support it to develop its strategic options for the future of its corporate Financial and HR/Payroll systems. The strategic options appraisal and outline business case is expected to be delivered during March/April 2022. This work will inform the council's future corporate systems strategy. Entering into new contracts with the existing system suppliers for the continued support and maintenance of these solutions and aligning the contract end dates to 31 March 2025, with extension options built in if available, will enable sufficient time for the outcome of the strategic review to conclude, the recommendations to be explored and allow for any potential tendering and implementation to be completed.
- 1.5 The proposed route to market for the award of a contract to Civica is via the CCS framework (RM3821) Data and Applications Solutions (DAS). Details

about this and other potential frameworks that were considered, are set out later in the report.

- 1.6 The proposed route to market for the award of a contract to MHR is via the Health Trust Europe Framework ICT Solutions 2019 (ComIT 2) . Rather than procuring support and maintenance services via standard contracting arrangements between the customer (the Council) and the system supplier (MHR), the council will be contracting with a reseller, Softcat, who will in turn be working in association with MHR. For contractual purposes Softcat will be seen as prime supplier working in partnership with MHR who will be acting as their approved sub-contractor. Further details regarding this arrangement are set out later in the report

2. Recommendations

- 2.1 That the Policy &Resources Committee approves the award of a contract via a compliant framework for the continued support and maintenance of the financial system to Civica UK Ltd for an initial term of 3 years with an option to extend for up to 2 periods of 12 months, and grants delegated authority to the Executive Director, Governance, People & Resources to authorise those extensions if required.
- 2.2 That the Policy & Resources Committee approves the award of a contract via a compliant framework to Softcat, with MHR acting as their approved sub-contractor for the continued support and maintenance of the HR and payroll system for a term of 3 years.

3. Context and background information

- 3.1 In March 2021, MHR were requested by the council to undertake a strategic review into the way the council currently uses their HR/Payroll system. The review involved understanding how the current modules were being used by the council and provided recommendations on how the system could be better utilised to improve the in-house processes. The review highlighted that the system has functionality available that is not currently being fully utilised, and that the council would benefit from introducing more streamlined, automated HR/Payroll processes to improve efficiency, reduce manual effort and ensure consistent, accurate data is available. In particular, it was highlighted that:
 - Current processes are not in line with best practice and do not deliver the benefits and efficiency that the council requires to support its strategic goals in the longer term.
 - the council depends on additional systems to support HR Processes for areas such as absence management, recruitment and learning, these systems are not integrated with the MHR iTrent system.
 - The lack of integration causes potential issues around data management and security and limits the council's ability to benefit from real time, accurate information and efficient processes.

MHR proposed that a number of workstreams be implemented in order to facilitate best practice business processes and maximise the council's use of iTrent. MHR recognised that there was a large investment needed by the council in the recommendations and recognised that the council has clear priorities and would not have the budget or appetite to address each of these areas immediately. They therefore identified priority areas for immediate investment and indicated opportunities for medium and longer-term development. The team are in the process of implementing some of these recommendations.

- 3.2 The current financial systems solution is delivered by Civica UK Ltd through an on-premise network basis (software delivery model whereby software is installed and operated from the council's in-house server and IT infrastructure). Officers across the relevant services have been undertaking a review of how this solution should be delivered in the future; the outcome of this review is that, as part of the award of a new contract, the council will transition from the existing on-premises instance to Civica's cloud hosted platform and fully managed service, "Financials Live".
- 3.3 The council's Financial and HR/Payroll systems have been in place for a number of years, but the contract end dates are not currently aligned. It is intended to align them until March 2025 and, where the council has been able to, it has built in options to extend in further increments of 12 months; this being in relation to the Civica Financials contract. This provides an opportunity for the council to take stock and consider what its options may be for the future provision of corporate management information systems.
- 3.4 The terms of the contract for the council's recruitment system, Tribepad, permit an extension to March 23 which the council is currently exercising. A subsequent contract will be put in place to continue this service based on alignment of corporate business operations systems as per the recommendations following the corporate systems reviews.
- 3.5 A decision was taken by Orbis Partners to disaggregate the Business Operations service from the partnership and return the service to sovereign council control from 1 April 2022. As part of these changes, the Recruitment function will transfer out of the service and into the HR and Organisational Development service. Therefore, it is anticipated that the extension to the contract will allow both the consideration of the strategic systems review outcomes as well as time to assess the future needs of the council in line with HR & workforce strategies. A meeting with the supplier, Tribepad, is planned to consider potential options to secure the additional year of contract to 2024. The current contract is joint with all ORBIS partners and will require some alignment with the other councils to achieve an extension.
- 3.6 Following a recent tender exercise, the council has appointed SOCITM to provide expert consultancy services to support the evaluation of high-level strategic options and the development of an outline business case (OBC) to inform a decision on the future direction of its corporate systems strategy. This will consider all options available to the council (e.g. Enterprise Resource Planning (ERP), SaaS, Best of Breed, etc.), based on the

consultancy's knowledge of the market, business analysis and implementation experience for other similar organisations. The strategic options appraisal will enable the council to identify a preferred direction and option, with illustrative costs and including procurement and delivery routes, to focus on and take forward, subject to decisions taken at the OBC stage, into the development of a full business case (FBC) and implementation plan. This work is expected to conclude in late March/April 2022.

- 3.7 The proposed contract values for Civica's fully hosted managed service "FinancialsLIVE" solution are as follows:

Civica FinancialsLIVE Costs	One-Off Cost	Annual Costs
	£	£
Up front Set Up Fee	80,025	
Up front Licence Fees	96,580	
Annual Software, Maintenance & Support		163,689
TOTAL	176,605	163,689

The current annual cost of Civica's financial system is £151,235. The additional increased cost of £12,454 per annum covers the move to the Cloud hosted solution "Financials Live" together with support for the additional modules purchased by the council since the current contract commenced. The one-off up front set-up fee covers the set-up of Financials Live including Business Objects and Kofax Intelligent Scanning, as well as set up and implementation of Private Cloud, project management, user acceptance testing support and technical consultancy.

The total value of the Civica contract for an initial term of 3 years, commencing on 1st April 2022 with an option to extend up to 2 periods of 12 months is £995,050.

- 3.8 The proposed contract value for MHR's solution is as follows:

Midland HR iTrent Costs	£
Year 1 Costs (includes initial investment fee)	£272,120
Year 2 costs	£167,559
Year 3 costs	£167,559
TOTAL	£607,238

The current annual cost of MHR's HR/Payroll system is £145,891 therefore this is annual increase of £21,668. The year 1 costs include an investment fee of £104,560 which the supplier uses to develop the solution for its customer base. This is calculated based on the number of employees which in the case of BHCC has been capped at 11,000 (including schools).

4. Analysis and consideration of alternative options and Routes to Market

4.1 Civica UK Ltd

The Crown Commercial Services framework, G-Cloud, was the route to market used last time to contract with Civica. G-Cloud publishes a fixed price for a specific, standard, out-of-the-box delivery of the FinancialsLIVE application. In the council's case the software already in use is vastly reduced in terms of functionality compared to the standard catalogue offering currently available on GCloud and therefore doesn't provide the council with an option to purchase the services it requires through this route to market.

The terms of G-Cloud only allow for an initial contract term of 24 months followed by the option to extend for two further periods of 12 months which would have limited this contract to a 2+1+1 term. The preferred route to market (DAS) was deemed the most suitable based on a number of factors. Unlike some frameworks, the DAS framework includes a direct award option providing customers can demonstrate that the purchase is intrinsically linked to an existing solution.

In the case of Civica Financials the council wishes to procure support and maintenance to help extend the product's lifecycle whilst taking the opportunity to migrate from an on-premise to a cloud-based solution. Many frameworks stipulate a maximum contract term of 4 years when calling off, however DAS allows customers to award contracts for a maximum call off length of 5 years with an optional extension of up to 2 years at the customers' discretion. This will provide the council with the flexibility it requires to align the end date of this contract following on from the recommendation within the strategic options report.

4.2 MHR

The Crown Commercial Services framework, G-Cloud, was the route to market used last time to contract with MHR. The terms of G-Cloud only allow for an initial contract term of 24 months followed by the option to extend for two further periods of 12 months which would have limited this contract to a 2+1+1 term.

Based on the service offering from MHR currently available on GCloud and following clarifications with MHR the cost to purchase support and maintenance services via this route would have cost approximately £818,000 over the three-year period (based on a 2+1+1 term). This would have resulted in an additional cost to the council of around £211,000 over the three years.

As MHR services are not available to purchase via any other frameworks, it was necessary to explore alternative routes to market. The proposed route to market to procure support and maintenance services from MHR is therefore via the Health Trust Europe Framework ICT Solutions 2019 (ComIT 2).

Rather than accessing these services via standard contracting arrangements with a contract being established between the customer (the council) and the system supplier (MHR), the council will be contracting with a reseller, Softcat, who will in turn be working in association with MHR. For contractual purposes Softcat will be seen as prime supplier working in partnership with MHR who will be acting as their approved sub-contractor.

Softcat has extensive experience of working with partners, and has carefully selected, vetted and recruited a 'virtual community' of specialist suppliers and partners in order to complement their core proposition. All of their third party suppliers undergo rigorous financial, commercial and technical assessments. All contracting, ordering, invoicing and escalation will be managed by Softcat as the framework accredited prime contractor. The delivery of all goods and services relating to the project will be delivered by MHR.

HealthTrust Europe's (HTE's) ICT Solutions 2019 Framework (ComIT 2 – Complete IT), has been created to provide the most cost effective and simplest route to market for IT requirements. It covers Enterprise Level Information Communication Technology (ICT) Solutions for Hardware, Software, Programs, Applications, Security, Computer Science, Managed Services, Consultancy, Support and Associated Services. This framework was awarded on the 27 September 2019 for four years. It is a single Lot framework that covers 5 distinct categories.

- 5.1 While both the Civica and MHR systems have been in use for over 10 years, they have been substantially upgraded over that period and both have evolved into web-based, cloud-hosted products. Both systems continue to be used widely across the public sector and MHR is used by many private sector organisations. However, there is now very clear evidence that new systems released by major software houses within the past two years have advanced considerably and have much more to offer, particularly as local authorities move into an enhanced digital service environment. These systems also have the major advantage of being integrated which is becoming an increasingly costly barrier to developing efficient processes with the current systems. While the council has no choice but to continue with these systems at present, the recommended contract extension periods have been negotiated with potential replacement of these systems in mind, which would require a minimum 3-year extension.

5. Community engagement and consultation

- 5.2 Engagement has taken place with the council's IT&D service and other local authorities in relation to the transition from the existing on-premises instance to Civica's cloud hosted platform and fully managed service, FinancialsLive.

6. Conclusion

- 6.1 These contracts are fundamental to secure the continued provision of Finance and HR/Payroll systems for the council, its external customers and enabling the council's back-office functions. Importantly, they will also

provide the council with time to consider its options for the future provision of its corporate financial and HR/Payroll systems including, if necessary, the procurement and implementation of replacement systems within a 3-year time horizon.

7. Financial implications

- 7.1 It is expected that the recommended and aligned contract periods for the corporate Financial and HR/Payroll systems will allow sufficient time for any potential savings and value for money improvements identified from the consultants review for future arrangements to be realised, either through identified improvements to the current systems or through a business case for their replacement.
- 7.2 The increase in license fees across Civica and Midland HR is £0.034m per annum from 2022/23 and this will be met from existing budgets within this service area. The additional one off costs totaling £0.281m have been reflected in the Targeted Budget Management estimates for 2021/22.

Name of finance officer consulted: James Hengeveld Date consulted 03/03/22

8. Legal implications

- 8.1 The council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. Using a framework is a compliant route to market.
- 8.2 To lawfully award the proposed contracts without undertaking a mini-competition officers will need to ensure that a) the rules of the framework allow direct awards in the circumstance, b) they comply with the council's Contract Standing Orders (CSOs) and in particular CSO 7.5, which permits officers to select a supplier without the need for further competition where there is only one supplier capable of fulfilling the requirement and c) they must comply with regulation 33 of the Public Contracts Regulations which allows call-off contracts to be awarded without reopening competition where all the terms of the proposed contract are laid down in the framework agreement.

Name of lawyer consulted: Alice Rowland Date consulted (10/01/22):

9. Equalities implications

- 9.1 There are no equalities implications arising from this report

10. Sustainability implications

MHR

- 10.1 At the end of 2019, MHR signed a contract choosing E.ON's Renewable Energy Guarantees of Origin (REGO) backed supply. This provides

assurance that their organisation's electricity supply will come from 100% renewable wind sources and means their electricity is carbon neutral.

- 10.2 They also aim to reach specific levels of reduction of energy use in coming years. Year-on-year, they aim to reduce their electricity usage by 5 per cent and gas usage by 4 per cent, normalised for growth and expanded operations.
- 10.6 Recent office improvements include double thermal insulation to their roofing areas and external walls, triple glazed windows, LED lighting with occupancy sensors, centrally controlled heating and cooling systems and utility sub-metering to monitor consumption as well as additional parking and solar panels. A recent expansion project has also seen the development of a new server room which operates at a cooler temperature resulting in a reduction of cooling costs. High quality energy efficient LED lighting is standard throughout, controlled by passive infrared occupancy sensors avoiding wastage
- 10.10 Their software, iTrent, allows organisations to shift from printed to electronic communication, and to move forms and applications to the internet. This dramatically lowers printing, mailing and related distribution costs, whilst simultaneously providing more timely and accurate data to employees due to automation and online access.

Civica

- 10.12 Civica have an Environmental Management Team (EMT) that came together in 2011 to provide a strong and clear focus for the on-going development and implementation of the company's environmental policy. Not only has the team 'championed' the company's achievement of the ISO 14001 environmental management standard certification, but they are committed to continuous improvement and best practice which involves working with our customers, suppliers, partners in order to recognise and reduce the impact the company's operations have on the environment.
- 10.14 Every office has an Environmental Supervisor. In addition to their responsibility for the practical elements of Environmental Initiatives in their office they are also responsible for communication on any local aspect of environmental issues and act as a liaison for all staff in their location.

11. Other Implications

Social Value and procurement implications

MHR

- 11.1 MHR's Social Value and Corporate Social Responsibility strategy is focused on strengthening local community and environmental impact and as such have considered carefully how they can offer Brighton and Hove opportunities to benefit the local community.
- 11.2 MHR are proposing to offer three, one-hour sessions, each year of the contract to enable the upskilling of groups of individuals within the Brighton

& Hove area. These sessions may include working with data; system agnostics, understanding what data is, the purpose of its use and how tools can harness this. As a technology provider their expertise lies in skills in this area but they are also committed to further expanding the parameters of what can be delivered. MHR are also able to deliver sessions on careers advice within the technology area.

This will aim to support local people and provide positive employment experiences, creating opportunities for potential career development. Through other contracts, MHR have previously worked with graduates, work experience individuals and trainees wishing to upskill.

Civica

- 11.3 Civica are actively engaged with a wide range of community-based initiatives and charitable funding including Action for Children and Sleep Out to Help Out. They welcome the opportunity to extend this reach to new and existing customer projects.
- 11.4 Whilst Civica are open to further discussions with the council, they have committed to the following as a minimum:
- The use of Civica's Donate a Day provides individuals up to 5 days per year to support a local charitable event. In the past the Civica team have helped out at Food Banks including providing donations on the day as well as assisting in decorating community centres.
 - Attend an annual career fayre at the council's request to provide insight into a career in a software services company and discuss any opportunities at the time including apprenticeships

