	Policy & Resources Committee 9 February 2022
Title	**Review of Integra and CoreHR**
Report of	Executive Director of Resources
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	None
Officer Contact Details	Anisa Darr, Executive Director of Resources Anisa.Darr@Barnet.gov.uk Matt Banks, Finance Manager – Service Improvement and Digital Matt.Banks@Barnet.gov.uk

Summary

A review of the council's accountancy and HR systems was completed, and this report provides an update on the analysis undertaken. It recommends the best way forward post September 2023 in line with the current Customer Support Group Contract (CSG).

The recommendations in this report have a dependency on the outcomes of the Strategic Contract Review and these have been explicitly mentioned for consideration by the Committee.

Officers Recommendations

1. **That the Committee approves commencement of procurement for the replacement of the council's Finance and HR systems, with the flexibility for an Enterprise Resource Planning (ERP) system or a Best of Breed model with separate Finance and HR systems.**

> **2. That the Committee delegates authority to the Executive Director of Resources to take all necessary actions to participate in and execute the successful procurement.**

> **3. That the Committee approves a one-year extension to the finance (Integra) and HR systems (CoreHR) to facilitate the procurement of a new system.**

> **4. That the Committee delegates authority to the Executive Director of Resources to do an upgrade of the Finance system to Integra Centros, if required, as set out in paras 2.19-21.**

1. Why this report is needed

1.1 A decision is needed to be taken on the future of the councils accounting and HR systems. Changing organisational wide systems is both challenging and complex. Therefore, it is essential to ensure sufficient time to choose the system/s that will support the councils current and future working environment and allows appropriate time for implementation.

1.2 Our current accounting system, Integra 2, is being replaced by Capita's Integra Centros solution. Whilst Capita are only encouraging customers to upgrade, it is expected that at some point in the future Integra 2 will receive a 'de-support notice' which means the system would become unsupported from that date. Dialogue continues with Capita to determine the exact date, but it could be in 2024. If Capita 'de-supports' Integra 2 before the end of the current contract in September 2023 any upgrade would be at their decision and cost.

2. Reasons for recommendations

2.1 Alongside the wider Capita strategic contract review, a project was completed on the potential supplier market for replacing Barnet's current systems for accounting (Integra 2) and HR (CoreHR, an Access Group product) both provided via the CSG contract.

2.2 The project analysed a small number of providers utilised by local authorities used by London and the Southeast, alongside the Capita Integra Centros solution. Four steps were taken to determine the potential of the supplier market:

- engagement with users to understand the current organisational requirements
- engagement/understanding of supplier's products including the Capita Centros system
- engagement with other Local Authorities who have been on the same journey in the last 24-36 months; and
- assessment of benefits provided by systems currently on the market.

    User engagement and system requirements

2.3 To understand performance, issues, and opportunities the project analysed user surveys, help desk queries, and held a number of workshops with HR professionals, Finance professionals and over 20 service users across the organisation.

2.4   The users all seemed to recognise the strengths of remaining with a familiar system and the complexity of implementing any new organisational system/s. However, some key themes have emerged focusing on four areas:

- Integration- new core systems have come into place since 2014 such as Adults Mosaic and Families ControCC which amongst other Council systems only have limited Integration with our accounting system. A new system needs to address this opportunity for full integration.

- Controls- the council have developed a complex and robust control environment since 2014 utilising additional systems and processes, which a new system needs to meet but also simplify the upgrades/updates process.

- Operating model- the council, in line with good practice for large public sector organisations, needs to further embed self-service. A new system needs to allow tasks to be completed more quickly without the need for additional support.

- Utilising other IT investments-the council has invested in modern reporting tools such as PowerBI (and other improvements in our digital infrastructure. The new system/s needs to fully align with this investment and Barnet's Digital Strategy.

Understanding the market

2.5   To explore the market, the project engaged with suppliers regarding the council's current requirements, recorded system demonstrations with Q&A's, looked at system functionality/development road maps and were given information about other local authority clients.

2.6   In addition, indicative costings regarding license fees based on user numbers and implementation costs at other local authorities. Whilst they are only indicative, it gives the scope of market potential in terms of quality/functionality relative to cost.

Engaging with other Local Authorities

2.7   A desktop analysis took place with several local authorities who have recently undertaken similar processes looking at business cases, project documentation and committee reports. This was used to inform the review of what a system implementation would involve, the range of costs and key lessons learned that could inform any Barnet project.

2.8   To supplement the analysis direct meetings took place with several councils, including the neighbouring boroughs of Brent and Harrow. Brent having recently implemented an Oracle ERP system, while Harrow are in the process of implementing Microsoft Dynamics ERP with the finance and the procurement systems already live. These two boroughs would remain as key contacts through procurement and implementation to take advantage of their experiences.

2.9   In addition, the council has already completed large system implementations such as the Adults Mosaic system and Street Scene Customer Transformation programme. Therefore, we have key lessons learnt reports.

Options comparison

2.10   A comparison of Integra 2, Integra Centros and Core HR against three key suppliers was completed. The comparison looked at how the systems supported organisational objectives, resources objectives, costs, risks/implementation, user experience, functionality, automations/data integration and reporting/data analytics.

2.11   Officers believe that this comparison exercise demonstrates that there is value in starting a procurement process to determine whether there is a business case for a new system/s. The rationale was wide ranging to go to the market, however a few key themes emerged:

- The systems seem to show they can meet our comprehensive control environment requirements in a simpler manner than the existing system. This should make future upgrades/updates easier and more cost effective.
- The current working model tries to ensure individuals have accountability in relation to their responsibilities in respect of HR and finance Implementation of this model requires a degree of cultural change that the IT system needs to support and reinforce. Users who tested the systems felt their user experience was greatly enhanced. This should facilitate the cultural change needed to support our current and future working model
- New systems should allow the council to better utilise tools it has invested in such as the Microsoft Power platform. This gives more control to the Council to customise reports and automate/change processes without going through the supplier. Improving Barnet's flexibility and potentially saving on future development costs.
- Utilisation of modern technology from machine learning to AI, which where appropriate and safe could allow for much greater automation freeing staff time to add further value.

2.12   Cost implications were analysed utilising supplier indictive quotes and key discussions with other local authorities. Ongoing costs aren't expected to be significantly different to current costs with Capita. Indicative programme costs include phase 1 for procurement and phase 2 for implementation. Phase 1 costs are detailed in section 5.2. Phase 2 costs will be brought to back to this Committee in due course. Estimates currently range from £2-£3m inclusive of external resource and internal backfill, these will be validated as part of the procurement for consideration by the Committee. All costs as part of the programme will be capitalised.

Procurement

2.13   Analysis has indicated that systems on the market should better meet the council's current needs. A procurement would allow the council to understand in more detail which system meets its requirements, whilst also exploring the market, the council will consider existing frameworks or an open procurement. The procurement exercise would involve test environments of each system to allow users to experience the system in full, which was a key consideration in the analysis to date.

2.14   As the Council wants to get the best possible outcome to meet its current and future needs, bids would be accepted for an ERP system or for either of the individual components also known as best of breed systems.

2.15   A key consideration that will need to be built into any procurement is integration with our other systems to ensure that financial information feeds through more easily and that the comprehensive control environment continues to be fully supported. Any system chosen

will also need to integrate with services that have touch points such as accounts payable and payroll services

2.16 As a core system/s that will be used across the council, it will be essential to give the necessary focus on quality as part of the procurement.

2.17 If the Committee approves this proposal officers believe it would be possible to have a new system in place by April 2024. However, the Capita contract currently ends in September 2023.

2.18 Consequently, officers recommend the existing contract is extended by one year with the option to upgrade to Capita's Centros solution. Integra Centros could be utilised as a relatively simple upgrade to allow the council sufficient time to get the right solution.

Integra upgrade

2.19 As noted above it may be necessary to carry out an interim upgrade to Integra Centros depending on the exact timeline on when Integra 2 'de-support' notice, which in effect will mean the Council has an unsupported system. Currently Capita are bound to support the Council to the end of the contract in September 2023.

2.20 Officers have had initial conversations with Capita as to what such an upgrade might involve. An option to do a 'light upgrade' exists. In essence we could upgrade to the new solution without the normal project costs such as process changes. Whilst this means the enhancements offered by the Centros system wouldn't be realised it could provide the best value for money as an interim solution pending the decision on a new system.

2.21 The Committee are asked to give authority to the Executive Director of Resources to implement a Centros upgrade if necessary to ensure the council has a supported system and has sufficient time to procure and implement the right solution.

3. Alternative options considered and not recommended

Do nothing

3.1 The council could not replace the current systems. This would leave the council with Integra 2 as the Finance system and Core HR as the HR system.

3.2 This would pose a risk to the council as Capita moves its clients to its Integra Centros solutions, it would leave the council with an unsupported Finance system. Dialogue continues with Capita to determine the exact date that Integra 2 receives the 'de-support notice' but this could be in 2024.

3.3 This option would also affect the council's ability to carry out its Finance functions and may be prone to unacceptable security issues.

Direct Award

3.4 The council could procure via a direct award to a selected provider instead of completing an open procurement exercise. This method could potentially mitigate implementation concerns by greatly reducing the procurement timeframe by utilising existing local government frameworks. This would become essential if the Committee decided that these services aren't suitable for an interim one-year extension.

3.5   This option will require the council to decide on whether it goes ahead with an ERP or 'Best of Breed' model at the current stage. Making this decision without going through a full procurement could mean we don't get the best solution. A full procurement will allow for further evaluation of the market including in-depth test environments to allow users to experience potential systems.

4.   Post decision implementation

4.1   If the recommendations are approved, a procurement exercise would begin in March 2022, with a provider expected to be appointed by January 2023. This would then allow for 16 months to implement any new system(s). This is subject to discussions with Capita to ensure interim arrangements could be put in place post September 2023.

4.2   A project team would be set up to complete the procurement (Phase 1), utilising existing council resources. The implementation of any system would require larger resources, including backfilling of existing posts to cover internal resources seconded onto the project. The resource request would return to the Committee in due course.

5.   Implications of decision

5.1   **Corporate Priorities and Performance**

5.1.1   Robust financial management is a key priority of the Clean, Safe and Well-Run theme of the Barnet Plan. An effective Finance system allows the council's Finance service to provide this financial management and acts as a key component of the council's internal control environment.

5.1.2   Both the Finance and HR systems also feed into all priorities of the Barnet Plan and act as an enabler for all of the council's wider objectives.

5.1.3   As an organisational project impacting users across the Council and Suppliers this needs to be run as a change programme. It is not intended to be a resource saving exercise but one that allows staff quicker results to allow more time dedicated to delivering for Barnet Residents.

5.2   **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1   Initial soft market testing suggests that the ongoing market prices are similar and within the current budget envelope, but newer systems better align to meeting the Councils current needs for both accountancy and HR.

5.2.2   Any new system will have implementation costs (Phase 2 costs) for an external partner to support with the implementation, as well as internal project costs. Estimations of these are included in 2.12, however they will need refining as part of the procurement exercise.

5.3   The proposed Phase 1 procurement team would be in the region of c£0.2m this will be funded from the reserves initially and then can be capitalised upon a successful procurement.

5.3.1   The funding requirements after the receipt of compliant tenders will be brought back to Committee either as a standalone paper or as part of the budget setting process.

5.3.2 A new system procurement and implementation meets the definition of capital expenditure. The council can capitalise the costs outlined in this report if it is the most economically advantageous method of funding the project once costs are fully known at procurement.

5.3.3 The proposed use of reserves, prior to capitalisation, ensures there is no adverse impact expected on the revenue budget for 2022/23 or the Medium Term Financial Strategy presented to this Committee.

5.3.4

5.4 Legal and Constitutional References

5.4.1 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Policy and Resources Committee:

(1) To be responsible for:

- Strategic policy, Finance and corporate risk management including recommending: Capital and Revenue Budget; Medium Term Financial Strategy; and Corporate Plan to Full Council

- Finance including:

  o Corporate procurement

- Effective use of resources

- Procurement Forward Plan

- Information Technology

(2) To be responsible for those matters not specifically allocated to any other committee affecting the affairs of the Council.

5.4.2 Under Barnet's Contract Procedure Rules, due to the expected value of this procurement it must be authorised by a decision of the relevant theme committee, which for Finance is Policy and Resources Committee, unless it is included on the Annual Procurement Forward Plan.

5.4.3 The procurement process will be conducted in a transparent, fair and proportionate and non-discriminatory way in compliance with the Public Contract Regulations (PCR) 2015 and the Council's Contract Procedure Rules and tenders will be subject to evaluation in accordance with the published tender evaluation model.

5.4.4 HB Public Law will be instructed to advise on the tendering process and completion of the contracts for the services to be undertaken under this report.

5.5 Insight

5.5.1 Reporting and data analytics are a key consideration in the decision to select any new system. Any new systems would be expected to offer improvements in data analytics across both Finance and HR, allowing for improved insight and more effective decision making.

5.6 Social Value

5.6.1 Social value would be built into the procurement as per the council's social value

policy/toolkit.

5.7   **Risk Management**

5.7.1 If the council does not commence a procurement or find a replacement, it risks having an unsupported Finance system. Meaning statutory changes wouldn't be possible and would be prone to security issues. This would impact the council's ability to effectively manage its budgets and meet statutory requirements.

5.7.2 Risks to the project will be identified during the procurement and implementation stages, utilising the council's Risk Management Framework to identify, analyse and respond to any project risks.

5.8   **Equalities and Diversity**

5.8.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:
    • eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
    • advance equality of opportunity between people from different groups;
    • foster good relations between people from different groups.

    The broad purpose of this duty is to integrate considerations of equality into day to day business and keep them under review in decision making, the design of policies and the delivery of services. The equalities and non-discrimination policies and procedures of tenderers will be evaluated during the tender process to assess compliancy.

5.9   **Corporate Parenting**

5.9.1 Not applicable to this decision

5.10   **Consultation and Engagement**

5.10.1 Not applicable to this decision

5.11   **Environmental Impact**

5.11.1 Not applicable to this decision

6.   Background papers

6.1   Report to Financial Performance and Contracts Committee, 17th March 2021: Yr 6-7 Review FPC report.pdf (moderngov.co.uk)

6.2   Report to Financial Performance and Contracts Committee, 8 June 2021: FPC Contracts Review Report.pdf (moderngov.co.uk)

6.3   Report to Financial Performance and Contracts Committee, 23 November 2021: https://barnet.moderngov.co.uk/documents/s68820/FPC%20Contracts%20Review%20 Report.pdf