

EAST AYRSHIRE COUNCIL

CABINET – 21 NOVEMBER 2007

**NEGOTIATED PROCUREMENT OF PURCHASING MODULE FOR FINANCIAL
MANAGEMENT SYSTEM**

**Joint Report by Depute Chief Executive/Executive Director of Corporate Support and
Executive Head of Finance & Asset Management**

1. PURPOSE OF REPORT

- 1.1 To seek the approval of Cabinet for the negotiated purchase of a Purchasing module which will support the integration of the Council's electronic purchasing system – PECOS with Civica Authority Financials.

2. BACKGROUND

- 2.1 Civica is a well established company involved in the delivery of IT solutions to local government for more than 20 years. Over 80% of all local authorities use one or more of their products. East Ayrshire Council currently uses Civica to provide Housing and Council Tax Benefit Administration, Council Tax and Rates Collection Systems and Cash Receipting/Income Management all of which have assisted in improved service performance.
- 2.2 The main financial systems of general ledger, creditor payments and sundry debt management incorporating a legal debt recovery module are currently being migrated to a Civica based system – Authority Financials.

3. CURRENT POSITION

- 3.1 At present no commitment of orders is made within the financial ledger at the point of order. Data in respect of expenditure is only included once an invoice or other payment is processed through the creditor payment system and posted to the ledger. This can result in a significant time lag between the initial order and final payment being recognised. As a result external systems are used by budget managers to control budgets and track commitments.
- 3.2 PECOS is currently being implemented on a phased basis across the Council by the Head of Legal, Procurement & Regulatory Services and this will require a migration from current systems and processes. This will become particularly important as Services such as Education and Building & Works with higher volumes of purchasing transactions are brought on line.
- 3.3 Initial discussions with the Education Department have highlighted that in order to be able to utilise PECOS as the primary procurement system across all establishments it will be necessary for it to replicate the existing functionality provided by the current management information system – SEEMIS.

- 3.4** SEEMIS is currently used for all procurement within Education establishments and also provides management information in relation to committed expenditure against budget availability supporting overall resource planning. It is therefore considered essential that an interface that will replicate the current information available is put in place in advance of any switch from SEEMIS being contemplated.

4. PROPOSAL

- 4.1** It is proposed that the purchasing module of Civica Authority Financials – Authority Purchasing (AP) would be utilised to provide a conduit through which commitments would be generated within the General Ledger module. This would create an interface between PECOS and the Financial Systems.

- 4.2** In practice users would see and utilise PECOS as the corporate purchasing system with all transactions completed according to PECOS configuration. The Authority Purchasing module would be an embedded process operating behind the main system into which orders would be created via an interface from PECOS, and from that point expenditure commitments generated automatically in the general ledger module. Invoices would be keyed directly into PECOS creating an automated payments file which would be transferred to the creditor payment module to allow direct payment of suppliers.

- 4.3** It is proposed that an interface will be developed at this stage which will allow data to be extracted from the Financial System in respect of all committed orders and subsequent matched invoices which would be used to populate SEEMIS replicating the existing financial reporting information available.

5. EXPECTED BENEFITS & CONSIDERATIONS

- 5.1** The Authority Purchasing Module will act as the gateway for an interface between PECOS, the general ledger and creditor payment modules and ultimately SEEMIS. In summary it is expected that this would:

- ❖ Allow all standard enquiries and reports within Authority Purchasing, Creditors, and General Ledger and Reporting modules allowing drill down from invoice to purchase order.
- ❖ Enable commitment accounting.
- ❖ Allow payment requests to be processed through the Purchasing authorisation process
- ❖ Automate year end processes such as accrual of outstanding invoices and provisions for goods ordered not yet supplied.
- ❖ Allow the consideration of adopting direct charging for internal trading via the financial systems which would allow the automation of departmental cross charging for services such as catering, reprographics, and internal transport charges etc.
- ❖ PECOS will remain the reporting vehicle for procurement in respect of departmental purchasing profile.

- 5.2** In order for commitment accounting to provide meaningful management information a high percentage of overall purchasing transactions require to be processed directly using PECOS and thereafter through an interface into the general ledger with the commitment eventually being realised when a payment is made. As a result the high volume user departments such as Buildings & Works and Education require to fully utilise the system. This buy in requires the replication of existing management information, such as provided by SEEMIS to at least the current level.
- 5.3** Given the current timetable for implementing PECOS across all Departments it is proposed that the Authority Purchasing module would be implemented on a phased basis during financial year 2008/2009. This would allow functionality testing to be carried out with services already using the system as well as allowing the remaining departments on opportunity to plan the migration from existing systems.
- 5.4** Consideration is currently being given to the approach to be adopted for invoice processing and whether this is best carried out centrally or through a devolved model of operation. It is current assumed that the processing will continue to be carried out centrally by staff within the Exchequer division of the Finance & Asset Management Service, keying invoices directly into the PECOS system. It is however not possible to quantify what additional resources may be necessary to deal with the resolution of invoice mismatches within the system. This will therefore require to be considered in tandem with the proposed exercise to identify time releasing efficiencies arising from the roll out of PECOS across Departments & Services

6. FINANCIAL IMPLICATIONS

- 6.1** Civica UK Ltd has indicated that the cost of buying the Purchasing Module of Authority Financials would be £39,995. The annual revenue costs thereafter would be £7,995 per annum. The projected capital cost was included as a provision within the Finance & Asset Management Service during 2006/07, and as a result is contained within the earmarked balances at 31 March 2007. It is recommended that should approval be given to proceed with a negotiated purchase the overall cost will be subject to further discussion, prior to any confirmed order being placed.

7. IMPLEMENTATION

- 7.1** The project will follow a "PRINCE2" project management methodology and a project board will be established to ensure that all key decisions are taken and implemented in a timely and effective manner, which will require representation from Information Technology, Procurement, Finance and other key system users.
- 7.2** A Project Director, responsible for the overall coordination of the implementation plan, ensuring that timescales and deadlines are met, and appraising the project board of developments and progress throughout the project. A representative of the Company will be nominated to the project and will be responsible for all input together with attendance at project review meetings and for liaison with the Project Director.

8. LEGAL/POLICY IMPLICATIONS

- 8.1** The Council's Standing Orders paragraph 9(2) requires formal committee approval where it is proposed to negotiate a contract with one party.

8.2 The proposals set out in this report will contribute towards delivery of the Finance Service Best Value Service Improvement Plan and supports the overall implementation of the Corporate Procurement Strategy through the delivery of end to end purchase to pay functionality.

9. CONCLUSION

9.1 The proposed approach outlined in section 2 above supports the objectives of the Corporate Procurement Strategy and will ensure that a direct interface is created between the purchasing system (PECOS) and the corporate financial systems. This will allow the introduction of commitment accounting across the Council, further strengthening the overall financial reporting and control regime, whilst also contributing to the overall efficiency targets of the Council.

10. RECOMMENDATIONS

10.1 It is recommended that the Cabinet:

- i) approves the negotiation of contract terms in respect of the procurement of the purchasing module of Authority Financials and related services with Civica Financial Systems Ltd in terms of paragraph 9(2) of the Council's Standing Orders relating to contracts; and
- ii) otherwise notes the contents of the report.

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RB/JB
1 November 2007

LIST OF BACKGROUND PAPERS

Nil

Members wishing further information should contact Robin Baker, Financial Controller,
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