PROJECT DOCUMENTATION

BUSINESS CASE

Finance Systems Replacement

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PRINCE 2

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APPROVALS

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PURPOSE OF DOCUMENT

To document the justification for the undertaking of a project based on the estimated cost of development and the anticipated business benefits to be gained. The Business Case is used to say why the forecast effort and time will be worth the expenditure. The on-going viability of the project will be monitored by the Project Board against the Business Case.

BACKGROUND

The Councils Financial Management System (Total) and Income Management System (Paris) were implemented at Warwick District Council in 2005. There has been minimal development of these systems in recent years with suppliers declaring their intentions to discontinue support altogether in the short to medium term future. This would mean updates that suppliers provide to ensure systems meet latest data compliance requirements or protect against the risk of cyber-security attack or unrecoverable system failure will no longer be available. Existing support contracts for both systems expire on 30 April 2021.

The systems are not user-friendly, cannot be personalised to the specific requirements of the user or adapted to meet the changing requirements of the Council or local communities. More than 60 regular users of the Total system responded to a satisfaction survey in October 2019 with more than half expressing frustration at the challenges of using the system for the most basic of functions.

Total and Paris are connected to other council systems by interfaces which have been developed over many years. Whilst these enable the specific functions for which they were built, they do not facilitate efficient workflows or data analysis, with tasks fragmented between teams and with individual users having to look at multiple systems to build a complete understanding of related data. Other processes such as the creation of new suppliers or debtors do not have an electronic interface and require the manual re-keying of data between systems.

Business processes have developed overtime to overcome or work round system weaknesses. It is now common place for important tasks like budget forecasting or other monthly or yearend technical accounting processes to be carried out on Excel spreadsheets or other datasheet software.

An analysis of these concerns prepared by representatives from Finance, ICT and Procurement at the beginning of 2019 concluded that the Financial Management System and Income Management System were no longer fit for purpose and should be replaced by a single integrated solution. Their findings recommended that the new solution should also consolidate other parts of the finance ecosystem including Logotech (the Asset Management System), ePay and Capita (payment

channel systems), creating a simplified financial management IT architecture from a single provider.

In March 2019, the Employment Committee approved a report to appoint a Project Manager on a fixed term contract basis to oversee the procurement and implementation of the new solution. The appointment process was concluded in August 2019 with initial project scoping and other preparatory work underway from September 2019.

SCOPE AND BOUNDARIES

This project will support the Councils strategy of '*transforming working practices and business processes, utilising technology and enabling digital services to reduce costs'* (Draft Business Strategy 2019/23). Outcomes for this project are:

- improved ownership and accountability of managers in the budget forecasting and monitoring process
- improved efficiency of processes and access to information at less operational cost, especially in areas of transactional activity
- reduced need for Excel based analysis and reporting, moving to self-service and a personalised (dashboard) approach
- improved decision-making through accessible, real-time, consistent and accurate management information
- increased agility in financial management, responding and adapting quickly to continual business change
- enhanced customer experience from improvements in the options for making payment or accessing information

Outcomes will be achieved from successful delivery of the following statement of work or scope:

- Implement an IT solution which integrates financial, income and asset management; the solution should enable connectivity to other Council systems not in scope for replacement
- End contracts, archive and decommission finance systems (specifically TOTALFMS, TOTALView, TOTALAlerts, PARIS Income Management, PARIS Counter Receipting, Logotech and payment channel systems ePay and Capita
- Migrate data to the new solution on a basis agreed with finance stakeholders, to include the archiving of non-migrated data so it remains accessible for statutory retention periods
- Implement a new chart of accounts and reporting arrangements to a structure agreed with finance stakeholders
- Simplify and streamline business processes, including the automation or removal of low value transactional processes where appropriate

- Create training and online support arrangements for users of financial management systems
- Review system administration arrangements and provide support for the transition of the new solution into business as usual

Interfaces to other Council systems which push or pull data from the new financial management solution are in scope, whilst changes to the following systems are not in scope:

- Human Resources and Payroll
- Civica OPENRevenues and Benefits
- ActiveH (including rents)
- AllPay (managing payments made using the barcode system)

It is anticipated that the new solution will be implemented as a 'cloud service' or more simply, software that is hosted externally and accessed via the internet. This contrasts to the legacy finance systems which are hosted 'on-premise' (ie. on the Councils IT infrastructure at Riverside House and accessed via the Council network) but consistent with recent changes making email and Microsoft Office available as a cloud service (Office 365). The move to cloud services has been a growing trend for technology decisions in the public sector since 2013 when the government published its 'Cloud First' Policy.

In response, many providers of software technology are now concentrating development effort on their cloud offerings with others withdrawing from the on-premise market altogether. Of the four suppliers of integrated financial solutions to the local authority sector which have provided indicative costings for this business case, one does not provide an on-premise solution and two of the others are committing at least 80% of their future development strategies to cloud, leveraging the benefits of investment in cloud based technologies being made by Microsoft and other tech-giants.

Suppliers of income management and payment systems are increasingly only providing cloud-based technology. This has the benefit of transferring the heavily prescriptive compliance requirements of the Payment Card Industry Data Security Standards (PCI DSS) entirely to the service provider, significantly reducing administrative overhead for the Council.

Costs associated with the implementation of a cloud or more traditional on-premise solution are forecast to be very similar over a contract period of four years so the selection of the preferred solution and implementation approach will be based on the relative benefits for the Council and local communities.

A diagram of the finance ecosystem at Warwick District Council to illustrate the scope of the project is included at Appendix 1.

FINANCIAL IMPLICATIONS

A small number of leading suppliers of integrated financial solutions have provided indicative levels of cost ahead of a formal procurement based on an outline specification of business requirements and an assumed contract period of 4 years – see Table 1.

These are estimated costs only because the scope and business requirements have not been reviewed in detail with suppliers and because the effort required to develop interfaces between the new solution and other Council systems cannot be determined accurately at this stage.

It should be noted that annual costs for the new solution are anticipated to become due from month 3 after the project has commenced (see Project Approach). This is because the new solution is available from that point for development and testing. This may be negotiated to a later start point during the procurement but for the purposes of assessing the financial viability of the business case, Year 1 costs include 10 months charges.

Table 1 – Indicative Supplier Costs

Provider	One Off	Year 1[1]	Years 2-4	Contract Value
Supplier #1	£175,000	£91,500	£110,000	£596,500
Supplier #2	£200,000	£87,500	£105,000	£602,500
Supplier #3	£265,000	£75,000	£90,000	£610,000
Supplier #4	£340,000	£75,000	£90,000	£685,000

[1] The annual fee would become due from approx month 3 of Year 1 (the year of implementation)

The range in one off implementation costs between £175,000 and £340,000 has not been tested to determine how offerings compare in detail and what value would be delivered at each price point. This would be derived from the procurement process.

The variance in annual charges is less significant with a range between £90,000 and £110,000 on a full year basis. The actual annual cost determined during the procurement would be offset from costs avoided for support of Total, Paris and other finance systems being replaced – see Table 2.

Table 2 – System Annual Costs (2018/19)

Budget Source	Available Budget
Legacy Finance Systems[1]	£42,771
Legacy Payment Systems[2]	£20,148
Total	**£62,919**

[1]Annual support charges in respect of Total, Paris and LogoTech

[2]Annual support charges in respect of Capita and ePay

Budgets will be released from the date the systems are decommissioned.

Legacy system annual support costs are typically 20% of the original licence cost (for on-premise implementations). In this instance, the cost (and budget to be released) is low by current market comparisons which reflects the age of the technology.

Additional costs met from underspends or reserves have been incurred for one off development work requested by the Council on a regular basis. In 2018/19 this was £11,716 however ignored here because a budget is not released.

Table 3 – Indicative New Solution and Implementation Costs

	Best Case	Worst Case
Estimated Contract Value (see Table 1)	£596,500	£685,000
Estimated Project Team Backfill[1]	£140,000	£140,000
Provision for Interface Work	£20,000	£20,000
Sub-Total	**£756,500**	**£845,000**
Available Budget (Years 2-4 only)	£188,757	£188,757
Net Cost over 4-year contract	**£567,743**	**£656,243**

[1] Project team backfill estimate assumes 4 x interim appointments at SCP18 on a full year basis – see Other Resource Implications

Costs associated with the staffing who support legacy systems in areas such as systems support and contract management (estimated at £26,000 in 2018/19) have been excluded because the internal staffing costs for supporting the new solution is unknown. It can however be ascertained that the level of support required would be lessened, because the number of contracts being managed is reduced (to one) and the maintenance of the solution itself is provided within the annual charge. Costs associated with supporting the infrastructure however would not reduce unless the server estate (and supporting team) was itself reduced or decommissioned. This is not planned in this project but may come if there are more systems migrated to the cloud.

OTHER RESOURCE IMPLICATIONS

(i) Project Team

There will be a dedicated project manager responsible for leading the project team and ensuring the core project team has everything they need to complete their planned tasks. This cost of this role would be in addition to the

costs in Table 3 but has been excluded because the appointment has already been made and funding is in place.

In addition to the project manager, it is anticipated there will be a core project team of 3 to 4 subject matter experts who will lead a workstream or workstreams of activity ie. all the tasks in a project that can logically be grouped or themed together to deliver a key output. A subject matter expert or workstream lead would be responsible for development of the new solution and new business processes specific to the following areas:

- Debtors and collection of payments (accounts receivable)
- Creditors and payment of invoices (accounts payable)
- Financial administration and budgetary analysis
- Income management and payment channels
- Data and the transfer of data to the new solution
- IT and the development of new interfaces

It is anticipated that each workstream lead will be committed to the project for between 3 and 5 days per week at different points for the duration of the project (12 months). A more precise assessment of effort will be determined during the Plan phase (see Project Approach). In the meantime, it has been assumed that there would be insufficient capacity from within services currently to release resource to the project and a provision for backfill has been included in Year 1 estimate of costs.

An alternative approach of recruiting from outside of the Council to the workstream roles has been disregarded after consideration because indicative cost forecasts are considerably higher and the main benefits from engagement of people who have the most comprehensive knowledge of the Council and business requirements are not realised.

(ii) Finance System Champions (and others)

There are several phases of the project (Design, Test, Deploy) that will require the support of Council staff outside of the immediate project team. The configuration of the new solution and changes to business processes should be determined through this wider engagement.

A total of twenty-five people who responded to a finance systems survey via the Intranet during October 2019, indicated they would be willing to provide support to the project. It is anticipated these people will support the design (for their service areas and areas of knowledge) as well as testing the new system works as expected. Others may need to be engaged if there are gaps in knowledge about specific areas or processes.

It is anticipated that these people will become amongst the first to be formally trained on the new solution, complementing and adding to their knowledge gained from Design and Testing stages earlier in the project and enabling them to become leaders and 'champions' of the implementation and change process. In addition to members of the core project team, ad-hoc support is required from additional system users from across the Council in the Design stage. These people will help build a detailed understanding of business processes and how they should be developed to align with the best practice workflows of the new solution.

This process will be managed through workshops which output detail of processes that will be simplified, standardised or eliminated altogether. Understanding the scale of change will enable a more detailed analysis and presentation of quantifiable benefits.

(iii) Systems Trainers

The supplier will provide 'train the trainer' training. This would be to a small cohort of people (usually a cohort of 5-6 people) from amongst the core project team and system champions. These people would cascade training across the finance user community.

The numbers and precise composition of this resource needs consideration during the Build and Test phase of the project, to reflect the extent to which business processes will change in addition to the change of system.

(iv) Project Board

Direction, oversight and support to the project will be provided by members of the Project Board. It is anticipated that the Head of ICT or his/her representative and a representative of the supplier organisation will represent the role of the Senior Supplier. It is anticipated the Head of Financial Services and at least one other customer representative Head of Service will represent the organisation and user community interests.

(v) Benefit Owner(s)

In addition to the roles identified in Prince2, there may be a justification for a separately identifiable Benefit Owner(s). This will be determined during the Design phase when benefits will be identified and quantified.

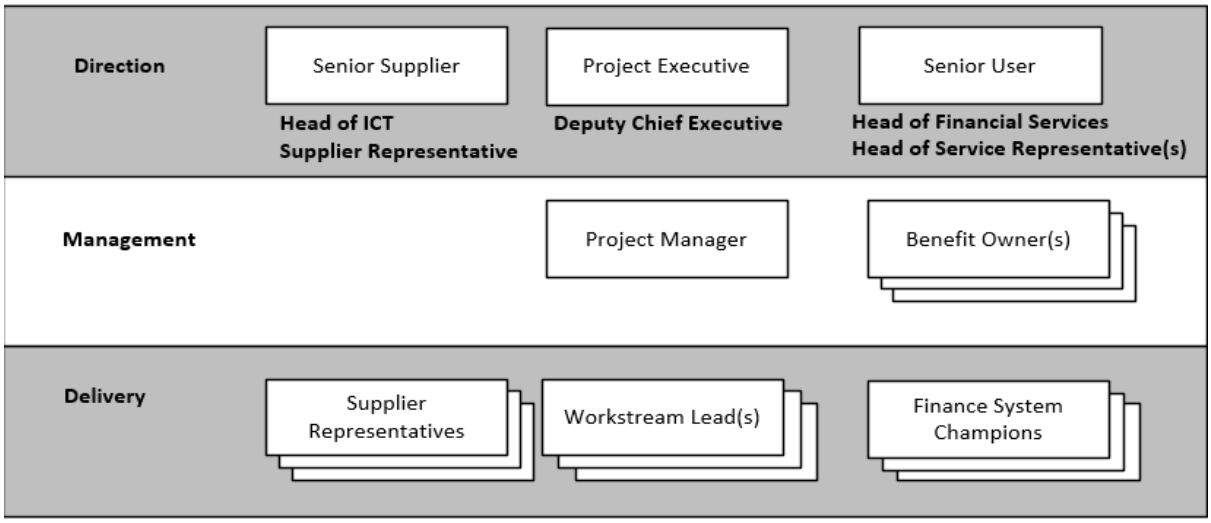
The Benefit Owner is responsible to the Project Board for delivery of an identified benefit which may be during or after completion of the project (timescales for realisation of the benefit would be agreed during Design).

The Benefit Owner manages delivery of the benefit liaising closely with the Project Manager on progress specific to the area that will generate the benefit, to ensure the benefit can be tracked and reported from the project outset.

(vi) Supplier Representatives

The supplier will provide expertise on their solution. Details would be determined during the Procurement of the new solution.

Diagram - Proposed Project Structure



ANTICIPATED BENEFITS

The project will generate a range of benefits. The precise makeup and level of benefits are unknown at this stage (in advance of the Design phase - see Project approach).

Many benefits can be assumed from automating or removing processes altogether that have evolved over the last fifteen years to work alongside current systems. Measuring the level of benefit, especially important where the benefit is potentially cashable, will come out of workshops which engage people who are best placed and able to identify how processes will change when the new solution is implemented.

The following table sets out the benefits that are anticipated, informed by the project scoping work with potential suppliers and their experiences from comparable projects. This includes a range of potentially cashable savings from removal of processes and associated effort (converted to a monetary value by evaluating posts released from financial transaction activity at SCP18).

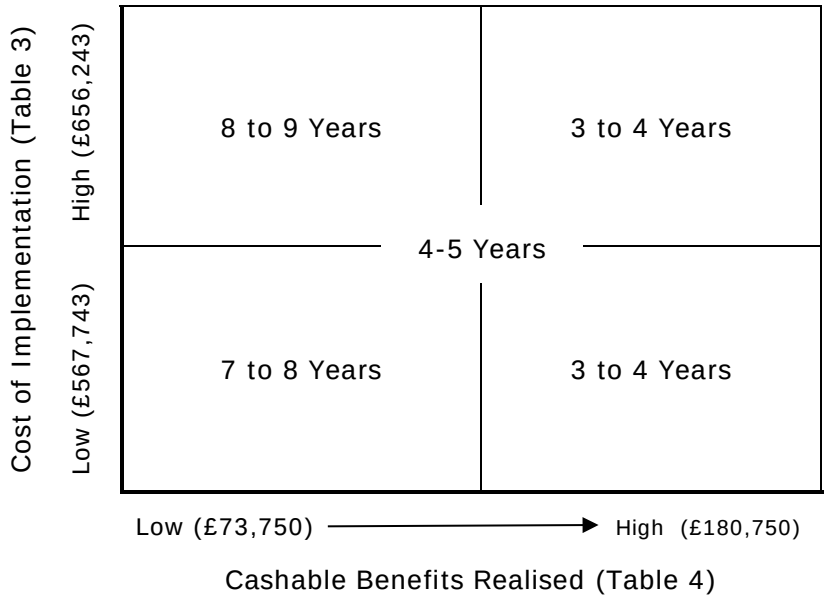
These figures and other benefits have been included but should be considered indicative only because comparable project sources have only been considered at a very high (organisation) level based on numbers of staff and volumes of transactions and not to a level of team structures or business processes.

Table 4 – Anticipated Benefits

Category	Benefit Description	Value (if tangible)
Financial	▪ Estimate (range) of effort saved by automating or removing processes (converted to a monetary value based on SCP18)	£71,000 - £178,000 (Cashable)
	▪ PCI DSS annual cost for non-compliance avoided	£2,750 (Cashable)
	▪ Costs of additional resource to support financial yearend activity avoided (based on 50% actual cost attributed from 2017/18 and 2018/19 attributed to system performance concerns)	£57,000 (Not cashable)
	▪ Cost of funding an extended interim project accounting role within Accountancy avoided, with responsibilities absorbed into team when capacity created	£57,000 (Not cashable)
	▪ Reduced risk of GDPR and data compliance breaches which would incur a prosecution and reputational damage	Not tangible
Operational	▪ Improved performance measured by KPIs (such as a reduction in cost per purchase order paid)	Multiple KPIs
	▪ Improved access to information and collaboration between teams and service areas	Not tangible
	▪ Improved decision-making and financial management analysis from improved access to relevant information	Not tangible
	▪ Reduced risk of miscoding and corrective effort/cost	Not measured
Customer	▪ Reduced time for payment to be viewable on systems from point of payment	Target a 50% reduction
	▪ Self-service and improved access to information	New
	▪ Reduced number of complaints (KPI)	To be baselined
	▪ Improved levels of satisfaction (KPI)	To be baselined
Staff	▪ Improved quality of help and system support	Measured against baseline from October survey
	▪ Improved experience and use of finance system	Measured against baseline from October survey
	▪ Reduced frustration associated with inefficient systems	Measured against baseline from October survey

The following illustrates the payback period based on anticipated levels of 'cashable' savings only and disregards other financial benefits from Table 4.

Payback Analysis



Additional benefits are anticipated from an implementation of the new solution as a cloud service. However, the business case is not evaluating the merits of moving from on-premise to cloud so these benefits have been disregarded.

ASSUMPTIONS

i. Project Team Resource

It has been assumed that there is insufficient capacity to resource the project team without backfill. A provision for backfill has been made - see Indicative Project Costs (Table 3 on page 7).

ii. Capacity from within Teams to Support Design Work

It has been assumed that ad-hoc support to workshops from the wider finance system user community will be delivered without interruption or impact to day to day service delivery. To minimise the risk of potential disruption, planning for design workshops will be communicated with as much notice as possible.

iii. Preparedness to Change Legacy Business Processes

It is assumed that there is a willingness to accept a minimum of 90% of new solution processes 'out of the box' with changes made to current business processes. This forms the basis of timescales, resource requirement etc.

PROJECT APPROACH

A traditional waterfall[1] project approach with a sequence of phases is preferred over agile[2] in this instance. This is because the overall timescales from the award of contract to a fully implemented solution are relatively short (9-12 month's subject to the availability of people who will provide the necessary subject matter expertise and input at the Design phase).

Phase Description	Deliverables
Discovery	Definition of project and business requirements
Plan	Plan of overall strategy, approach and resources
Design	Blue print for best practice and detailed benefit identification
Build	Specification for solution and change
Test	Test scripts and refinement of solution
Deploy	Training, data cutover and go live
Extend	Transition from project to business as usual

[1]The waterfall model is a breakdown of project activities into linear sequential phases, where each phase depends on the deliverables of the previous one.

[2]Agile is an iterative approach to planning and guiding project processes

Timescales are based on a phased implementation approach, with financial management implemented and live ahead of a second phase implementation for income manager and payments. This is a risk-management approach to a large scale and high risk project, allowing for a relatively small project team balancing demands from high numbers of stakeholders.

Phase	Milestone or Gateway	Month											
		1	2	3	4	5	6	7	8	9	10	11	12
PHASE 1 FINANCE	Plan	■											
	Design Signoff		■										
	Build Signoff			■									
	Integration Test Signoff				■								
	Acceptance Test Signoff					■							
	Deploy Gateway Review						■						
	Deploy and Extend – Phase 1						■						
PHASE 2 INCOME MANAGEMENT	Design Signoff			■	■								
	Build Signoff					■	■						
	Integration Signoff							■	■	■			
	Acceptance Test Signoff										■		
	Deploy Gateway Review											■	
	Deploy and Extend – Phase 2											■	
	Project Close												■

The phased approach will require additional effort to create short-term interfaces but will have the additional benefit of supporting change management, and enabling users to adjust to the new financial management processes ahead of changes to the Income Management system.

Timescales are based on the implementation of a solution that can deliver best practice financial management 'out of the box'. This assumes a willingness to change business processes to complement the workflow of the solution.

RISK ANALYSIS

The following represent the main risks to the success of the project.

	Risk Description	Impact	Treatment
1	Scale and complexity of finance and income management may exceed what the project team is able to manage safely	Progress is slowed with reputational damage to the project, and potentially additional project cost	Phase the implementation across finance and income management (as presented in Project Approach).
2	Subject matter experts are unavailable to the project when needed	Progress is slowed and decision-making potentially compromised	Project planning to provide as much detail on resource requirements so impact can be risk assessed
3	Important business requirements are omitted from the specification	Unanticipated costs from additions to the original specification	Services and users appropriately engaged into pre-project requirements gathering and sign off process
4	Preferred solution is unable to easily interface with other corporate systems	Processes cannot be fully streamlined without additional effort (and cost)	Robust testing of the interfacing requirements as part of the selection process
5	There is resistance to change and/or the implementation of new business processes	The success of the project is severely compromised and outcomes sub-optimal	Strong leadership supported by the adoption of appropriate change management practices
6	The network 'bandwidth' may be insufficient for optimal performance	Slow performance speeds and staff frustration	Technical infrastructure engagement into the design specification
7	Benefits from modernisation of finance systems are not optimised	Opportunities missed to support MTFP or enhance financial management	Benefits to be updated and tracked by Project Board throughout project lifecycle
8	Benefits from modernisation of finance systems are not realised	Project success is compromised	Defining clear responsibilities of benefit ownership
9	The project overruns beyond the contract end date of legacy systems	Systems would be unsupported and subject to contract, may be unusable	Contingency position clarified with providers of legacy systems
10	Costs in respect of interfaces exceed estimates included in Business Case	Additional funding would be required	Clarify precise level of cost as part of procurement

These and other risks will be tracked through the lifecycle of the project and presented to a monthly meeting of the Project Board to provide oversight of treatment actions.

DEPENDENCIES (INTERFACES)

The project will be controlled using the Prince2 methodology including governance arrangements of a Project Executive and other Project Board roles of Senior User and Senior Supplier. Project Board meetings will be held monthly in addition to ad-hoc meetings that may be required around key decision points or closer to the transition to go live.

Procurement will be via G-Cloud 11. This will provide the simplest and shortest access to providers of cloud solutions. The preferred solution will be determined by assessment from stakeholders of which product and proposal most closely aligns with specific business requirements determined during Discovery.

Critical to the success of the project will be the availability of subject matter experts from finance and other service areas (see Other Resource Implications – Project Team). The project team should be co-located to facilitate the sharing of information and joint building of knowledge and experience on a real-time basis, complemented by a formal weekly meeting with the supplier. Work packages will be used to support individual and project team processes.

Also critical to the success of the project is the relationship and engagement with the supplier. There is an expectation that the suppliers lead representative will be a member of the Project Board, with other specialist-area representatives actively engaged with the project team.

Ultimately the success of the project will be determined by the finance system stakeholder community and how they adopt the new solution and put new business processes into practice. A communication plan will be used to engage with and inform all stakeholders of progress.

CONCLUSION/RECOMMENDATIONS

The finance system and income management system at Warwick District Council were implemented nearly 15 years ago and are reaching the end of their usable lives. Suppliers have communicated their intention to withdraw support to these systems in the short to medium term future, as they look to move into different markets or develop other products.

Replacing these systems is necessary to address risks with the loss of support and also to enable efficiencies and other benefits that cannot be realised from the legacy technology. Additional benefits can be achieved by reducing the overall number of disparate finance systems, consolidating as much finance functionality

as possible onto a single integrated platform, delivered most likely as a cloud service from a single supplier.

Costs cannot be determined accurately ahead of a procurement but pre-market testing has provided an indication of costs, which before allowing for available budget that would be released to the new solution, has been estimated at somewhere between £596,500 and £685,000 over a 4-year contract period.

This is a considerable level of investment for any organisation. Notwithstanding the changing support arrangements, justification for these costs must be weighed against the level of benefits that will arise from the project.

The business case includes a range of anticipated benefits which ahead of more detailed design work with a new supplier, can be referenced as a guide only. These would nevertheless enable outcomes such as:

- managers have an improved understanding of financial activity and are able to improve the quality of budget forecasting
- there is improved everyday decision-making from better quality and more timely access to financial data
- customer experience is enhanced from self-service and improved access to information
- costs of financial management at Warwick District Council are reduced, especially in areas of high transactional volumes

Analysis from pre-market testing illustrates the costs of the project, after allowing for available budget, would be repaid between 3 and 9 years, dependent on actual costs of the implementation and cashable benefits that can be realised.

Payback in a period of 4 years (the anticipated contract period) may be achievable given the degree of business change that will come from a digital project of this scale. It should at the very least, be the aspiration for the project and guide decision-making through the procurement and implementation.

It is recommended to proceed with the project on this basis.

Appendix 1: Finance Eco-System at Warwick District Council

All Shaded Systems and Processes are in scope of the Finance Systems Replacement Project