Policy & Resources Committee	
Meeting Date	26 March 2025
Report Title	Procurement of Financial Management System
EMT Lead	Lisa Fillery
Head of Service	Claire Stanbury
Lead Officer	Claire Stanbury
Classification	**Open**
Recommendations	1. That the Committee approves the appointment of Company D to provide the Financial Management System, for a period of 3 years with a 1 year extension, contractual terms to be agreed by 31 March, at a value of £446,516. 2. That the Committee agrees to backfill the Systems Accountant role for up to 1 year, funded by the Finance Systems reserve.

1   Purpose of Report and Executive Summary

1.1   The current financial management system has been in place at Swale since 2004, and is provided on an annual licence. There has not been a tender process or formal renewal of contract for many years, and this is therefore outside of normal contractual arrangements.

1.2   The provider will no longer support the system as an 'on-premise' solution from October 2025, and the only way to retain support for the system is to move it to the provider's own cloud hosting arrangements. The system has also not been upgraded for approximately 5 years, and so any project would involve upgrading as well as moving to the cloud. One element of the system, the income management module, will also not be available on the cloud, and so this would require replacement and integration.

1.3   The situation therefore puts us in a position where alternative options should be investigated. The report summarises the options that have been considered, and seeks approval of the recommended contractor, as well as backfilling of the Systems Accountant role in order to deliver the project.

2   Background

2.1   The current financial management system used by Swale has been in place since 2004 and originally included the general ledger, sales ledger, purchase ledger and purchase ordering modules. In 2012 the income management module was added.

2.2   The system is an 'on-premise' system, meaning that it is held on servers within the Mid Kent IT server infrastructure, and is not cloud based, which is something

that the council are working to move away from. The last upgrade to the system was approximately 5 years ago, and there have been advances in the software, as well as further new modules released since this time.

2.3 The current provider is moving away from customers being 'on-premise', and is looking to move all customers to its own cloud hosting arrangement. Any installation of the system not on its cloud by October 2025 will no longer be supported. This will include installations within our own Mid Kent cloud hosting arrangements. This lack of support brings significant and unacceptable risks to the business, and therefore action is now required.

2.4 There are four main options:
2.4.1   Remain with our current system as an on-premise solution;
2.4.2   Remain with our current system but moved into the Mid Kent cloud arrangement;
2.4.3   Remain with our current system but upgrade and move to the providers cloud arrangement;
2.4.4   Implement an alternative system.

Use of the Current System

2.5 The system has been in use since 2004. There were initially two Systems Accountants within the Finance Team, but the Head of Finance and Senior Accountant were also heavily involved with some aspects of the system set up and maintenance. Of those staff, we now have one Systems Accountant, who is supported by a Finance Officer and Finance Apprentice. However, much of the knowledge about creating and maintaining reports from the system was held by the Head of Finance or Senior Accountant, and so that knowledge is now missing.

2.6 The historic approach to upgrades appears to have been that they were carried out only when essential. As such, the system has not been upgraded in approximately five years, and staff are not confident about working through an upgrade process. This approach has also extended to developing the use of the system, so there are parts of the system that are not utilised as fully as they could be. A key area in this situation is purchase ordering, where there are still a high number of invoices that do not have a system purchase order raised in advance, resulting in commitments to spend not being recorded in the system until the invoice arrives.

2.7 Budget setting and forecasting processes are still carried out on spreadsheets, requiring a lot of manual work and reconciliation. The current system does have a module that should allow this to be part of the system, but this has not been purchased by Swale.

Option 1 - Remain with our current system as an on-premise solution

2.8   Option 1 would mean continuing as we are, meaning that the system would be unsupported from October 2025, leaving us vulnerable in terms of cyber security, the system going out of date in terms of legislation, no further upgrades to the system for either look and feel, or functionality, and we would be unlikely to find any efficiencies in the finance processes. A cyber security breach, or a legislatively out of date system would leave the Council with no usable financial management system, resulting in us being unable to collect some debts, having to make manual payments to our suppliers, unable to understand and control our financial position, and unable to produce the statutorily required financial statements. In such a position, we would have no support from the system provider.

2.9   As an organisation we have agreed to move away from physical storage on our own servers, so this option would go against our agreed direction of travel.

2.10   For reasons primarily of service delivery, cyber security, and efficiencies, this option should not be considered.

Option 2 - Remain with our current system but moved into the Mid Kent cloud arrangement;

2.11   This option would see us continuing with our system as it is, but moving away from our own physical servers into cloud servers owned by Swale/Mid Kent. From the perspective of the system supplier, this would still be considered to be an 'on-premise' installation, and as such the system would not be supported. It would therefore carry the same risks around obsolescence and subsequent cyber security risks, and the risk to service delivery in the event of either of these happening.

2.12   This option would again see us not making the most of the system we have, and leave us with similar problems as those we currently face, and would face with option 1.

2.13   As with option 1, this should not be considered due to the risks around service delivery, cyber security, and lack of functional improvements.

Option 3 Remain with our current system but upgrade and move to the providers cloud arrangement;

2.14   Under option 3 we would upgrade our current system, and move to the supplier's cloud hosting arrangements. This would be carried out as two separate projects. This would move us to the latest versions of the software, and would include functionality that could be used in budget monitoring and budget setting. However, that will come with a significant training requirement, and a lot of the resource to carry out the work required. The system would then remain supported by the supplier, so there would be no issues going forward around the

system going out of date. This would allow us to be using an up to date finance system with improved functionality.

2.15   In this arrangement, upgrades would be automatically applied to the system once a year, so we would remain up to date, and would need to schedule in regular testing in line with upgrade release dates.

2.16   We currently use an income management module within the current system, but this would no longer be available to us if we pursue option 3, as the costs would be unviable (the supplier is not even providing a quote, as it would be so high). This option would therefore mean the introduction of a new income management system. The current system provider is currently partnering with a third party provider, and the implementation of their system could be included as part of the project to move to the cloud. Alternatively, we could look to use an alternative income management system provider. Either way, this will mean that our income management system is no longer fully integrated within our financial management system. The introduction and integration of a new income management system will be a significant project in its own right, and so would add further work to option 3, meaning that a simple 'lift and shift' approach from on-premise to cloud couldn't be achieved.

2.17   The contractors involved in option 3 recommend implementing this as two separate projects – firstly to upgrade to the most recent version, and then to move to the cloud and implement the new income management system. Any developments would also need to be factored in, and would risk not having sufficient time allocated, and therefore potential service delivery gains not being made, or taking many months to implement above and beyond the project timeline.

2.18   Each project would require resource from the Finance team and beyond, mapping and testing all current processes, identifying changes and updating internal notes, guides and processes as applicable, and managing the projects. With such a vital system, it is important that project management is overlaid, to ensure controlled and timely delivery of the project. Carrying out the work as two separate projects would also require a period of time between them with no project activity, to ensure that there are no unexpected consequences from the previous piece of work.

2.19   It is estimated that the two projects would likely take in the region of 6 to 9 months to complete, and would require the backfilling of at least the Systems Accountant role.

2.20   The existing supplier encourages clients to use third party support companies, which is then an additional ad hoc cost as and when support is required. The supplier has a number of approved partners who provide consultancy and support as required, at a cheaper rate than the system supplier. However, the involvement of a third party company adds an extra layer into arrangements, and

can create a lack of clarity about who should provide what services, potential complexity in managing customisations within the system, and delays in problem resolution.

2.21   If we were to remain with the current supplier we would need to spend time and money within the project on upskilling team members, allowing us to maintain our current system set up and maximise use of the system in future.

Option 4 Implement an alternative system

2.22   The fourth option is to explore financial management systems from alternative providers. Changing system would obviously be a huge project, but option 3 will also be a major project and, in order to achieve the best results from option 3 there will be a lot of work involved anyway in terms of training, upgrades, implementation of new functionality, and modernising the system set up.

2.23   Any new system would be cloud hosted, and so will fit in with our IT strategy of moving to cloud hosted solutions.

2.24   There are a number of systems on the market that could be an option for a local council of our size:
2.24.1 Company A – supplier who has been in the market for a number of years and is moving to cloud based solutions;
2.24.2 Company B – supplier who has been in the market for a number of years but is pulling away from the local government market;
2.24.3 Company C – new supplier to the local government market, although used in the private sector.
2.24.4 Company D – supplier who has been in the market for a number of years now, system is now well developed for the local government market and user base is growing.

2.25   The system provided by Company A is used by a few authorities in Kent, and has recently gone through a lot of development as part of the move to make it more user-friendly in the cloud. The company has also been bought out in the last couple of years. It is primarily used in the Local Government and Healthcare sectors of public services. It has the capability to deliver what we require, but will come with an implementation cost as well as ongoing revenue costs above our current level. Information gained from other users suggest that support for resolving issues is not currently well delivered, and governance issues have caused delays, which would add a level of risk to the project.

2.26   The system provided by Company B has been used by a number of authorities across Kent in the past, but those authorities are now moving away from the system, as they appear to be withdrawing from the local government market, not partaking in tender exercises when the opportunities have arisen.

2.27   Company C serve largely the private sector, and is only just starting to stretch out into the public sector market. As of summer 2024, there was one public sector organisation potentially transferring, but no live customers at that point in time. Moving to a system that is unproven in the sector would be a large risk, especially when we have such a small Finance team to deal with any issues.

2.28   Company D has been in the marketplace for a number of years, and are rapidly growing their public sector client base. Being an overseas company caused some problems with early clients, but they have now established a team in the UK, and those same problems no longer appear to be experienced. The system is designed for Local Government and Education sectors specifically, so is designed for our needs. At least one Kent authority is already live with the system, with another due to go live in the next couple of months. The system also comes with an integrated income management module, so could replace everything our current system provides.

2.29   Of all the available options, the system provided by Company D best meets our needs and offers a good level of assurance.

   Company D System
2.30   The system has been demonstrated to the Finance team, and we have had a number of conversations with the supplier. The Head of Finance & Procurement has also spoken to other authorities who have implemented the system or are in the process of doing so. As previously mentioned, the system is designed for Local Government and Education sectors. It is designed so that it can be implemented 'out of the box', and whilst this still entails a lot of work, it aims to minimise that work as much as possible. The system can be tailored to fit the organisation and current practices, but it should be able to deliver as it is, and provides an excellent opportunity to review existing processes and consider whether it is more appropriate to modernise our ways of working, rather than making the system fit our ways.

2.31   The system appears to be very user-friendly, and built with the user in mind, including non-finance budget managers. Over 90% of system developments come from client requests, so system development is focused on what the users need. There are two upgrade releases per year, but clients only have to upgrade once each year, choosing the release timing that is most appropriate for them. The screens and reports within the system often function in ways similar to existing Microsoft products such as Excel, so it provides familiarity to users, which adds to the usability of the system.

2.32   The system is provided with many default reports that would be needed by any Local Government client, and this would instantly streamline the work required in statutory reporting, which currently takes up many hours of officer time within the Finance team. However, reports are also easy to build and maintain, allowing further improvements to be made without the need of external support.

2.33 Reviewing processes is not a quick and easy task, but given that processes have not been reviewed for many years, and are currently built around existing reports (which may no longer be appropriate), this is a piece of work that should be carried out regardless of the route chosen.

2.34 The system is currently in use at one other Kent authority, and another will be going live very soon, so we would not be the only council within Kent to be using the system. With a contract length of 3 years plus 1 year extension, this should not create a commitment that would be potentially problematic at the point of local government reorganisation.

2.35 The project is an opportunity to deliver improvements in a number of ways:
- Upskill staff within the Finance team
- Culture change throughout the council in terms of financial processes
- Transform and modernise procedures
- Create efficiencies, allowing Finance staff to add more value in supporting service departments
- Allow users (internal and external) to self-serve, creating further efficiencies.

Resources Required

2.36 Both options 3 and 4 are going to require a lot of resource from within the Finance team.

2.37 Option 3 would most likely be the least resource intensive, but only if a 'lift and shift' approach is taken where possible, but this approach is not recommended. If we are to achieve benefits from this work, an investment of time will be required to fully understand the system and its capabilities, and then to implement them. Option 3 involves an upgrade of the existing system, and then a move to the cloud alongside implementation of a new income management system. The recommendation from the supplier and support provider is that these are done separately, and we will therefore have two projects to complete. The anticipated time to deliver the two projects would likely be around 6 months for lift and shift, but 9 to 12 months to fully implement new modules and processes.

2.38 Option 4 will be more labour intensive than a lift and shift approach in option 3, but the project will automatically include a review of all processes, as we look to see how our processes fit into the system, and learn how to make the best of what is available. However, the move to a new system will be one project, so there will be no need to duplicate work. The implementation of a new system is likely to take approximately 9 to 12 months. As with option 3, there will likely be a need to backfill the Systems Accountant post for the project period.

2.39 The Company D solution is delivered through what is known as a SaaS+ model. This means that the system is provided through a revenue cost each year, and there is no upfront capital investment required in purchasing the system, buying servers etc. The SaaS+ model also means that the implementation is included

within that cost, so consultancy costs for the implementation will be minimal. The fee becomes payable from the point of signing the contract, so this does mean that the new system will need to be paid for during implementation, and so there will be a cross-over with the existing system. However, our existing system will be out of support from October 2025, and that costs for October 24 to October 25 have already been paid, and there should be no further costs from October 2025.

2.40   If our existing system is moved to the cloud that will be delivered through a SaaS model, which again means that costs will be revenue costs, with no capital costs for purchase. However, there are substantial implementation consultancy costs that will be incurred up front.

2.41   A growth item was added for 2026/27 for the increase in the revenue costs of the system, and this will be required regardless of the option chosen.

2.42   Due to the resource required for both projects, it is anticipated that we will need to backfill the Systems Accountant post throughout the project, in order to free up the current officer to focus on this project. This can be funded from reserves and from the digital transformation budget.

2.43   Indicative costs are shown in the table below. The costs for the incumbent supplier are based on the assumption of implementing their partner Income Management system. Changing to any other income management supplier would incur significantly higher costs.

Item	Rev/Cap	Current	Incumbent	Company D
Annual maintenance	Revenue	52,663	108,500	111,629
Third party support	Revenue	Ad hoc	Ad hoc	0
Third party reporting	Revenue	4,102	10,200	0
Total revenue		**56,765**	**118,700**	**111,629**
Implement cash receipting	Capital	-	25,000	0
Implement reporting upgrade	Capital	-	4,750	0
Third party support	Capital	-	57,000	0
Total capital		**-**	**86,750**	**0**

2.44   The costs shown above for the incumbent supplier would cover the upgrade and move to the cloud, as well as access to some new functionality. However, there would likely be further support and training needed to fully understand and implement the new technology that would allow transformational delivery, which would likely incur further costs from the third party providers.

2.45   Implementation of the new system would require user training, which is covered as part of the project. However, they have suggested that there may be extra costs incurred for any bespoke implementation work required. The suggestion is that this is likely to cost no more than £20,000 (off off) but for a council of our size

and simplicity it should be much lower. This could be funded from the transformation reserve.

2.46 The Company D system is available via a G-Cloud framework, and therefore a full tender exercise is not required in order for the procurement to be compliant with our financial standing orders. However, either option would require a decision by Policy & Resources Committee, as the cost of the contract would be over the threshold of £120,000.

2.47 Based on a potential contract length of 4 years in total, the cost of option 3 would be £561,550 and the cost of option 4 would be £446,516.

3   Proposals

3.1   The committee is requested to approve the proposal to replace the financial management system, and enter into a contract with Company D for a 3 year framework agreement with the option to extend the contract for a further year, totalling 4 years.

3.2   The full life value of the contract, for the 4 year period, would be £446,516.

3.3   The annual cost of this option are lower than remaining with the current provider, and there are also no upfront or one-off costs for implementation.

3.4   Having reviewed the system, it is able to deliver what we need, and will allow for development of our processes, creating efficiencies within the Finance Team, and wider.

3.5   The Finance Systems reserve is used to fund the backfilling of the Systems Accountants post.

3.6   Any costs associated with transformation, up to a limit of £20,000, are funded from the digital transformation budget.

4   Alternative Options Considered and Rejected

4.1   Do nothing. This option is not recommended, as the current system will go out of support in October 2025, which will leave us susceptible to system failures and cyber security risks, as well as an inability to transform processes.

4.2   Move the current system to our own cloud hosting arrangement. This option is not recommended, as we will still be out of support from October 2025, which would leave us susceptible to many of the same risks as option 1.

4.3 Remain with the current provider. This option is not recommended as the costs would be greater, project resource and timescale are likely to be similar to a system replacement, but there is a greater risk that transformation will not take place, as it will not be an integral part of the project. It also leaves us in a situation where support is provided by a number of contractors, rather than one.

5 Consultation Undertaken or Proposed

5.1 A number of systems have been looked at, and we have spoken to other contractors as well as users of alternative systems where possible.

5.2 The Head of ICT has been consulted with, and she has no concerns regarding the recommended approach.

6 Implications

Issue	Implications
Corporate Plan	The Running the Council Priority underpins the governance of the council and the ability to deliver services. Sound financial management is a key to ensuring our sustainability and ability to support the council's front line services. We have many statutory requirements to report on our financial position and a reliable finance system is essential to deliver that requirement. An unsupported system is an unacceptable risk for the complexity and quantity of financial transactions that the council is responsible to action.
Financial, Resource and Property	The financial implications are included in the body of the report, however the MTFP agreed by Council in February 2025 includes provision to deliver the recommended option of a replacement system.
Legal, Statutory and Procurement	There are many areas of finance that are a statutory requirement to deliver or report on and a reliable finance system is essential to enable that to happen. The proposed contractor is part of an approved procurement framework that aligns with the council's and the public sector procurement regulations.
Crime and Disorder	None identified at this stage.
Environment and Climate/Ecological Emergency	None identified at this stage
Health and Wellbeing	None identified at this stage.

Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.
Risk Management and Health and Safety	Introduction of a new system carries a level of risk that will be monitored throughout the project and mitigations put in place where applicable.
Equality and Diversity	None identified at this stage
Privacy and Data Protection	A Data Protection Impact Assessment (DPIA) will be completed to identify and address risks. All options contain data protection risks. Options 1 and 2 would leave us vulnerable to security breaches, so knowingly going down this course of action would leave us accountable in the event of any such breach. Whilst option 3 involves remaining with the current supplier, updates to the Data Protection Act since it's implementation would mean that a full DPIA would still be required, which may highlight risks. Option 4 will require a DPIA, ensuring that the recommended supplier can comply with our data protection requirements, aligning with our expectations as a public authority, and ensuring that data is held in a secure country with appropriate adequacy regulations in place. Agreements will be drafted with the new provider to ensure both the controller and processor clearly understand their roles, responsibilities, and associated risks.

7   Appendices

7.1   The following documents are to be published with this report and form part of the report:
- None