

	London Borough of Hammersmith & Fulham CABINET MEMBER DECISION SEPTEMBER 2014
PROPOSED EXTENSION TO THE CIVICA PURCHASING SYSTEM CONTRACT	
Report of the Cabinet Member for Finance – Councillor Max Schmid	
Open Report	
Classification - For Decision Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Services	
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AUTHORISED BY:

The Cabinet member has signed this report
DATE: 14 September 2014

- 1. EXECUTIVE SUMMARY**
- 1.1. The Civica IT system is used across the Council to purchase items, through the raising of a purchase order, and the subsequent goods receipting of that order when goods or services are received. The use of this purchase ordering system allows orders to be sent electronically to suppliers, an online audit trail of ordering and approval to be kept, and no need for manual coding or authorising of invoices for payments. This brings greater efficiency and control to the Council's purchasing.

- 1.2. The current Civica contract is managed via HFBP and expires on the 30th September 2014. When Managed Services goes live there will be no further need for the Civica system. Therefore no discussions about extending the contract had been entered into with Civica when the Managed Services go live was planned to be on the 1st September 2014. However, now that the go live has been delayed to the 1st April 2015, the Council needs to renew the Civica contract to ensure that it is operational until at least that date.

2. RECOMMENDATIONS

- 2.1. Agree a one year renewal to the Civica contract on a licence only basis, at an annual cost of £60,000.
- 2.2. That approval be given for support and maintenance spend, up to a maximum of £4,000, to be charged on a time and materials basis.
- 2.3. That £45,000 of this cost is met from the underspend on the Managed Services contract budget in 2014/15, and the remaining £19,000 balance is drawn down from the Managed Services reserve.

3. REASONS FOR DECISION

- 3.1. The Civica purchasing system is a key financial system which allows an effective and automated purchasing process. If the contract with Civica was not renewed, the Council would need to revert to an entirely manual purchasing and payment process with no online audit trail of purchasing and approval and would need to quickly re-work the means of communicating orders to suppliers.
- 3.2. However, given that Civica will only be needed until the 1st April it is recommended that the contract is renewed for the minimum period possible, which is one year. It is also recommended that the renewal is on a licence only basis, as the system has required almost no support from Civica over recent years, and therefore paying for a maintenance package is considered unnecessary. If required, there is an option to still purchase support and maintenance from Civica on a time and materials basis.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Civica purchasing system contract is due to expire on the 30th September 2014. Following the decision to delay the go live of Managed Services to the 1st April 2015, it is necessary to renew this contract so that the Council's current purchasing practices can continue until that date.

4.2. This report details the options for renewing the Civica contract, with associated costs.

5. PROPOSAL AND ISSUES

5.1. This report contains a number of options around the future of the Civica purchasing system, balancing the cost implications with the risks to service continuity and resilience.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. The table below outlines the options put forward by HFBP following discussions with Civica, who provide the licences for the system. During negotiations a 6 month extension was requested, but Civica were not prepared to offer less than a one year extension.

	Licence, Support and Maintenance (£ pa)	Licence Only (£ pa)
Current Annual Cost	45,017	-
1 year Proposed cost	68,475	60,000
2 year Proposed cost	122,350	75,000

6.2 As this is a renewal beyond the original contract, Civica have proposed a price increase of £23,458 pa for the full licence, support and maintenance package.

6.3 However, it is proposed that the licence only option is selected as in the past year only 15 hours of support have been required from Civica. If this is purchased separately it is at a cost of £150 per hour, which would be a cost of £2,250 for 15 hours. As the system should only be active and in full use by the Council from the 1st October 2014 to the 31st March 2015, and not for the full year, this also minimises the likelihood of requiring support from Civica.

6.4 It is also recommended that only a one year renewal is agreed, as the system should not be needed by the Council after the 31st March 2015.

6.5 One further option would be to not renew the Civica contract at all. This option would mean that no further expenditure would be required, but is not recommended as:

- Without Civica there could be no purchase ordering or goods receipting of purchases across the Council. As a result, there would be no online audit trail of ordering and approvals, and no financial commitments on

the Council's financial ledger to support management of spend against budgets.

- All Council purchases would have to revert to a manual process whereby all invoices have to be stamped, coded, certified and authorised manually. This would significantly increase the workload of both services and the central payments team.
- New processes would have to be implemented urgently with suppliers to agree new ways of transmitting orders to them, as Civica's automated ordering process would no longer be available.

7. CONSULTATION

- 7.1. No consultation has taken place as this relates to the extension of a contract on an existing back office system which is only used by Council staff.

8. EQUALITY IMPLICATIONS

- 8.1. There are no equality implications as this relates to a back office administrative system which is only used by Council staff.
- 8.2. Implications verified/completed by: David Bennett, x1628

9. LEGAL IMPLICATIONS

- 9.1. There are no legal implications as this contract renewal would be undertaken through HFBP in accordance with existing agreements.
- 9.2. Implications verified/completed by: Babul Mukharjee, 0207 3613410

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. The Council currently has an annual budget of £45,000 to pay for the Civica system. It was assumed in the Managed Services business case that no renewal would be necessary after September 2014, and that this budget could be used to pay the new BT (the service provider) contract costs instead.
- 10.2. However, due to the delay in the Managed Services go live to the 1st April 2015 no payments are being made to BT in 2014/15 and therefore the budget saved from the contract budget is available to be used to pay for this contract renewal. Base budget of £45,000 is therefore still available in 2014/15. However, an additional £19,000 would need to be drawn down from the Managed Services reserve to pay the full contract cost.

10.3. Andrew Lord, Head of Financial Strategy & Resources, x2531

11. RISK MANAGEMENT

- 11.1. Business resilience is a key strategic risk, risk number 2 on the Tri-borough risk register. Managed Services is a Westminster City Council led procurement however H&F remain ultimately responsible for the identification and assessment of risk together with planning and cataloguing of contingencies required due to the re-programming of Managed Services such as that it impacts on the Council.
- 11.2. By renewing the existing Civica contract there will be continuity of purchasing processes within the Council partially mitigating the risk as a result of the delay of implementing the new service. The renewal of licences will not require any changes to the way in which the system is housed or managed, thereby containing the risk of disruption to the service.
- 11.3. Implications verified by: Michael Sloniowski ext 2587.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. The contract will be renewed by HFBP on behalf of the Council, in line with our current agreed practice. As this IT contract renewal requires an increased level of expenditure, it is being taken for Cabinet Member Decision in line with agreed Council regulations and standing orders.
- 12.2. Implications verified/completed by: Geoff Hay, ext 4223

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Supporting papers from HFBP giving details of contract expiry dates and proposed contract renewal costs	Caroline Wilkinson x1813	FCS – Corporate Finance

LIST OF APPENDICES:

No appendices are attached

