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**JNCC SUPPORT CO.**  
**BOARD MEETING**

**NEW FINANCIAL MANAGEMENT INFORMATION SYSTEM**

**Paper by Brian Lawrence**

**1. Introduction**

- 1.1 This report explains why the JNCC Support Co. needs to invest in a new financial management information system. It also explains the actions that have already been taken and those that we will be taking over the next six months to ensure that we have a fully effective financial management system installed and fully running by 1 October 2006.
- 1.2 The report identifies the options available to the support company and makes recommendations as to the appropriate way ahead. It also identifies the risks associated with the implementation.

**2. Background**

- 2.1 Currently, English Nature provide JNCC's financial management system suite, which includes:
  - financial accounting
  - budget monitoring
  - accounts payable
  - accounts receivable
  - cash/bank reconciliation
  - fixed asset register
- 2.2 Following research into alternative systems when the JNCC Support Co. was established it was decided to continue using the English Nature system because it is an extremely efficient and cost-effective mechanism. The service is provided by English Nature under a Service Level Agreement at a cost of £9,000 plus VAT per annum. The service is provided on a system supplied by Cedar.
- 2.3 As from 1 October 2006, English Nature will become part of Natural England, which will be obtaining financial services from the new Defra Shared Services Organisation (SSO). This means that JNCC will no longer be able to obtain these services from English Nature. This is a concern because in addition to providing the compost systems English Nature staff also manage our bank accounts, including reconciliations.

- 2.4 Because of these concerns, JNCC engaged a firm of consultants to define and evaluate options for either continuing or replacing the current financial system arrangements. They produced a report for JNCC which identified seven options, of which three were deemed to be potentially viable for JNCC. These options are:
- i. *Independent use of Cedar.* This option offers the greatest continuity with the current system and should be the quickest to implement.
  - ii. *Implement a simple accounting system.* This option should give a solution that best meets JNCC's requirements but may be relatively expensive. In addition, the limited timescale means that there is little time to evaluate different systems.
  - iii. *Use the Defra SSO system.* This has the advantage of changing in line with English Nature/ Natural England. It also meets a number of the concerns of the Gershon report. However the solution may be too complex for JNCC's relatively simple needs and may well require JNCC to adopt a number of Defra procedures.
- 2.5 Following this report, JNCC staff have had extensive discussions with representatives of Defra, English Nature and Cedar to review the three options. It soon became apparent that cost and functionality would rule out the Cedar option. Even when we were using Cedar through English Nature it was recognised that the functionality of the system was too great for an organisation the size of JNCC. However, the sharing of the costs and the fact that English Nature staff ran the system made it an attractive option for JNCC. If English Nature is no longer using the system JNCC would have to both meet the full cost and run the system, which would mean that it was no longer a cost-effective option.
- 2.6 This left the options of implementing a simple accounting system or using the Defra SSO service. There is a problem in being able to evaluate the Defra SSO service because it is not currently up and running. The SSO is being set up from Defra's accountancy and human resources units in York. At this stage we are unable to ascertain the cost of using the service or the service standards on offer. There are also a number of unresolved technical issues which may result in additional costs for the JNCC. However, there are some advantages in utilising the Defra route in that it may lead to more efficiencies in working practices through sharing services. Overall, because of the very tight timescales involved and the uncertainties with the SSO product it is felt that the SSO is not a viable option. Following discussion with Defra, it has therefore been decided that JNCC should implement its own simple accounting system. This position will be reviewed in 3-5 years time.

### **3. Implementation of an accountancy system**

- 3.1 Following the decision to concentrate on the option to implement a stand-alone accountancy/financial management system JNCC appointed a consultant to undertake a costing and feasibility review to report on:

- i. the options for commercially available finance produce and providers;
- ii. likely costs, including purchase, implementation, data transfer, consultancy and ongoing running costs;
- iii. potential risks;
- iv. the feasibility of implementing a new finance system by 1 October 2006;
- v. the amount of internal staff time required to implement a system within such a tight timetable.

3.2 The consultants' report found that JNCC's requirements for a computerised finance system were generally simple and straightforward and would therefore be commonly found in all good finance systems. Some of the more specialised requirements such as fixed asset current accounting may necessitate a minor work around.

3.3 The consultants also felt that there would be benefits to be gained from implementing a new finance system through improved processes and procedures. Some of our existing processes, such as reclaiming travel and subsistence costs and coding expenditure through the Government Purchasing Card, are rather inefficient, and enhanced procedures should provide significant efficiency gains.

3.4 The report also concluded that the go live date of 1 October 2006 is both realistic and achievable. Based on the report the following project timetable was prepared.

	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Feasibility									
Defra SSO Decision	X								
Supplier Demo's									
Select Supplier			X						
Confirm Business Requirements									
Software Install			X						
Project Team Training									
System Design									
System Build									
User Acceptance Testing									
End User Training									
Data Migration									
Go Live									X

3.5 The first two steps of this plan have already been completed

#### **4. Costs**

- 4.1 The cost of the system clearly depends on the system eventually selected. The study by the consultants suggested that the likely final cost, including staff to run the system and back-filling for staff involved in the implementation process, will be less than £100,000. This amount has been set aside in the 2006/07 business plan. Negotiations are continuing with Defra to ascertain whether they are able to assist the JNCC with this cost. A breakdown of the costs is shown in Annex 1 (commercial in confidence).

#### **5. Risk appraisal**

- 5.1 A risk appraisal has been undertaken on the implementation project and the major risks and control measures required are shown in Annex 2. The project is considered to be fairly low risk with a high chance of success. The usual project risks apply, including availability of resources and failure of suppliers, but should be fully mitigated by appropriate project management.
- 5.2 JNCC's internal auditors will undertake a project audit within the next few weeks and advise us of any additional risks.

**Annex 2. Project risks**

<b>Risk</b>	<b>Description</b>	<b>Control measures required/actioned</b>
<p>Insufficient capacity and skill within the support company to deliver the project on time.</p>	<p>A staff member in IT services has technical experience in this specific area and is currently acting as project manager for this implementation. There is always the risk of JNCC losing this resource if this member of staff decided to leave.</p> <p>There are currently insufficient resources in the finance team to provide support to the project.</p> <p>Budgetary provision for additional temporary staff to back-fill existing staff is unavailable.</p>	<ul style="list-style-type: none"> <li>• Make financial resources available to get staff member(s)/ contractors with the necessary skills.</li> <li>• Deliver the project in such a way that knowledge and skills transfer takes place between the key staff members.</li> <li>• Ensure key staff are not diverted onto other projects.</li> <li>• Develop contingency plans (e.g. use of agency staff) that will enable project to proceed if any of the key staff leave JNCC.</li> </ul>
<p>Timescales before the new arrangements ‘go live’ are insufficient to acquire and implement a system effectively.</p>	<p>The timescale for the project is tight and slippage at any stage could prevent the organisation having a usable and effective system in place for October 2006.</p> <p>The timescale also increases the likelihood of the chosen supplier failing to implement a new or improved system according to the required schedule.</p>	<ul style="list-style-type: none"> <li>• Test judgements about length of time different stages will take by talking to similar organisations that have recently acquired similar systems.</li> <li>• Ensure tight project management following established best practice.</li> <li>• Put in place a contingency (if possible).</li> <li>• Discuss required timescale with prospective suppliers prior to initiating the procurement process.</li> <li>• Build required installation dates into the contract specification.</li> <li>• Consult with reference sites to inform supplier selection.</li> <li>• Negotiate and let contract immediately after determining the chosen supplier.</li> </ul>

Risk	Description	Control measures required/actioned
Supplier failure.	Only 'off the shelf' systems would be considered and any new supplier would be selected from SCat. Accordingly, the risk of suppliers ceasing to trade is limited, as alternative suppliers would easily be found to provide ongoing support.	<ul style="list-style-type: none"> <li>• Consider only mature products from leading software manufacturers.</li> </ul>
Software does not meet requirements.	Requirements for financial and accounting software are very standard across the majority of small and medium-sized organisations in the majority of sectors. Products are generally mature and offer features that meet these general requirements. The likelihood of problems is therefore extremely low.	<ul style="list-style-type: none"> <li>• Research the market and other similar organisations' experience of using possible products.</li> <li>• Consider only mature products from leading software manufacturers.</li> <li>• Carefully define documentation specifying JNCC's requirements.</li> </ul>
Project does not deliver value for money.	There is a risk that costs may be excessive in comparison with the benefits.	<ul style="list-style-type: none"> <li>• Robust options appraisal with assessments of costs and benefits.</li> <li>• Tight contractual control on delivery and implementation of system.</li> </ul>
Failure to implement system effectively.	Poor implementation could result in input or output errors or omissions. This would be significant if it were to prevent JNCC from managing or accounting for its resources effectively.	<ul style="list-style-type: none"> <li>• Thorough specification of requirements and evaluation of systems.</li> <li>• Deliver an effective training programme.</li> <li>• Thorough testing of system's effectiveness in producing all key outputs prior to 'going live'.</li> <li>• Robust project control to prevent 'scope creep'.</li> <li>• Implement with experienced suppliers.</li> </ul>

<b>Risk</b>	<b>Description</b>	<b>Control measures required/actioned</b>
<p>Failure to change working practices to realise business benefits.</p>	<p>Extracting the full benefits from whatever systems are in place will require changes to the way we work. Management and administrators will need to clearly articulate their information requirements and use the resulting information in a constructive way. There is also a danger of 'change overload' because various other system changes will be implemented over a similar timescale.</p>	<ul style="list-style-type: none"> <li>• Involve management and administrators in defining their business requirements prior to selection.</li> <li>• Introduce new ways of working in a planned way with training/ guidance as necessary.</li> <li>• Ensure co-ordination between changes to finance system and other system changes.</li> </ul>
<p>External decisions change requirements significantly.</p>	<p>No firm position from Defra/ Natural England so could run counter to the option we choose to pursue.</p> <p>Possible risk that a SSO solution will be imposed on us longer term once the Natural England position is established.</p> <p>Either way the investment (time and money) in establishing effective systems could be wasted.</p>	<ul style="list-style-type: none"> <li>• Agree with Defra/Natural England the minimum number of years JNCC could be using the system, and set a budget based on this.</li> <li>• Evaluate the amount of effort to deliver benefits against the benefits that would be derived during this period.</li> <li>• Incorporate flexibility to add-on and deliver additional benefits into the specification.</li> <li>• Maintain an overview of external factors that could impact on the way in which JNCC delivers its finance functions.</li> </ul>