



Infrastructure

F I N A N C E

Leeds City Council

Last year, Leeds City Council (LCC), made major investments in new software solutions as part of its programme of constantly upgrading support services and working towards "joined-up government". The IT Officer and his team chose Siebel software to put in place a much improved Electronic Social Care Record System (ESCR) and to facilitate other CRM applications within the Council. At the same time, SAP software was chosen to implement the Council's new Human Resources System.

The challenge that was then handed to LCC's Finance Manager, Graham Newby, was how to finance the £3.45 million worth of Siebel and SAP software licenses. Graham's role was to identify the best possible funding solution. Graham has many years experience of operating leases in the local authority, having managed the financing of numerous projects, including computer hardware. However, external leasing for stand-alone software purchase is a new, and innovative area, and one which Graham had not been involved with previously.

Graham soon discovered that there was little market experience of software leasing. The Council appointed leasing advisers The Leasing Partnership (TLP) with whom the Council had worked previously on the successful delivery of an earlier specialist and complex project, Heat Lease (the Council's delivery of the Government's Affordable Warmth initiative). It was decided to find out what additional help they could offer. Graham explained: "there was some initial uncertainty as how best to tackle the project and although we have a lot of in-house expertise available, on balance it was determined that to deliver this large-scale project in such a specialist area it would be worthwhile to invest in an external consultancy". TLP were appointed as consultants to the project in January 2003.





Infrastructure

F I N A N C E

Leeds City Council Continued

The goal was to have financing in place by the close of the financial year, enabling the Council to make substantial savings by providing valuable, and additional flexibility in managing its debt portfolio and capital spend. With the assistance of the Council's legal services, and TLP a draft tender document was produced, refined and completed by late February. A list was drawn up from LCC's approved list and frameworks for leasing business and the tender document was sent to 16 companies. These companies were given just two weeks to respond to the ITT. Of the seven responses returned, it was fairly swiftly determined that three or four of them should be investigated further. In each case there were additional questions from LCC to be answered, and further information required, so with the financial year end fast approaching a frantic week ensued of detailed negotiations with all the parties involved.

At the end of this period, the LCC negotiating team of Graham, the TLP director Stephen Hall and the Council's legal services arrived at the point where "it was determined that Infrastructure Finance offered the best solution in terms of being the most economically advantageous when considering particularly their solution for the Council in terms of contract structure". Once this selection had been made, over the course of the following week, Infrastructure Finance worked with Graham and his team to iron out final queries, draw up the contract documents and ensure all remaining legal issues were resolved to the Council's satisfaction. Infrastructure Finance were then left with a few days to finalise arrangements with the two software suppliers, Siebel and SAP. It was necessary for both companies to agree to its terms because of the way the contract was structured.





Infrastructure

F I N A N C E

Leeds City Council Continued

The selection of Infrastructure Finance to provide the leasing was based on a number of factors: Graham had met Greg Lewis, a Director at Infrastructure Finance, Greg and his team were one of a very few companies with real experience of arranging this type of operating lease for local government. Infrastructure Finance's tender document was "of the quality we had hoped for, offering a well thought-through and developed product that was appropriate for the Council's requirements". Infrastructure Finance were one of the few bidders to fully understand the complexities of the whole project, and were the most sympathetic and innovative to the Council's needs. Graham also commented that "I felt more than happy on a professional and personal level - Infrastructure Finance contributed greatly to the successful conclusion of the deal by being prepared to go to extra lengths to get everything right within the short time available."

For future projects, potentially involving complex lease financing for "bundled" IT solutions encompassing hardware, software and support, Graham is keen to try to allow more lead time when possible. He felt the negotiations ran a little close for comfort on this occasion, another reason he is understandably pleased that the financial year end goal was ultimately achieved. He also felt that the support and assistance gained from TLP more than justified his decision to involve an external consultant.

Whilst admitting it was a challenging period in his career, Graham is pleased with the all-round success of the project, and feels comfortable that the Council has got good value for the software and the cost of financing. He is happy that he negotiated the terms LCC required, that the documentation for this innovative financing solution is well structured and that this deal may serve as an example for other local authorities.



FROM LEFT TO RIGHT: IAN HALL (TLP), JONATHON FOX (LCC), GRAHAM NEWBY (LCC):
THE TEAM RESPONSIBLE FOR COMPLETING THE TRANSACTION