

To: City Executive Board

Date: 12 November 2015

Report of: Head of Business Improvement and Head of Financial Services

Title of Report: Finance Systems Tender

Summary and Recommendations

Purpose of report: To seek project approval to retender for the Council's core financial systems and delegate authority to award the contract on the basis of the most economically advantageous bid.

Key decision Yes

Executive lead member: Councillor Susan Brown and Councillor Ed Turner

Policy Framework: An efficient and effective Council

Recommendation: That the City Executive Board resolves to:

1. grant project approval for the retendering of the Council's core financial systems; and
2. delegate authority to the Head of Business Improvement and Head of Financial Services to award the contract for a new Finance System on the basis of the most economically advantageous bid.

Appendices attached

Appendix 1 - Risk Register

Summary

- 1 The Council has used Agresso from Unit 4 as its core financial system for more than 10 years. The current contract comes to an end in December 2016 after which there is no opportunity to extend. This report seeks project approval to retender the contract and delegated

authority to award the contract on the basis of the most economically advantageous bid for a period of between five and ten years from December 2016.

Background

- 2 The Council's current core Finance system is Agresso provided by the software suppliers Unit 4. It is used for:
- Accounts Receivable
 - Account Payable
 - General Ledger
 - Fixed Assets
 - Purchase Requisitions and Payment (P2P)

Additionally; the system interfaces with the majority of operational systems including Revenues and Benefits, Housing Management, Housing Repairs, Waste Management and Fleet Management.

- 3 The Council has separate solutions for
- Invoice scanning (v1)
 - BACs payments (Bottomline ePay)
 - Income and Payment Management (Northgate Paris)
 - Procurement Card payments
 - Payroll and HR (Midland iTrent)
- 4 Total revenue expenditure on these finance systems is around £150K per annum for software support and maintenance.
- 5 The Council has used Agresso for more than 10 years and the current contract comes to an end in December 2016. The existing Agresso system works well and Unit 4 are one of the leading suppliers to local authorities and other public sector organisations.

Limited development of the system was undertaken during the first 5 years of the contract. Over the past four years however, the Council has had to invest in the solution to improve resilience, functionality and capability. As a consequence, the Council has had to employ external development resources (£100K pa) to provide the skills necessary to supplement internal resources.

- 6 Existing EU Procurement Rules require the authority to seek tenders for alternative suppliers. Negotiation with the existing supplier is not an eligible route to market that the authority could undertake.
- 7 There are a number of routes to procurement including :
- **Open competition (open or restricted procedure)** – this will require the authority to prepare a specification which is generic and not specific to Agresso. There is a cost to tendering which would be higher than if we go down the framework route.

- **Framework** – frameworks provide the ability to run a mini tender with suppliers who have already been checked for financial standing and ability to deliver the contracts. However there are limited frameworks available for this type of procurement and hence the open competition route will be preferred.

Financial Systems Tender

- 7 The core functions covered by the contract with Unit 4 (as shown at para 2 above) are in scope for the financial systems tender.
- 8 Additionally, all other finance related systems (as set out at para 3) will be considered for inclusion in the tender based on their potential to integrate with a new solution and current contract terms. This is in line and consistent with the recommendations arising from the Applications Rationalisation Review.

Legal Issues

- 10 There are no known legal issues. The procurement of updated financial systems is being carried out in accordance with the Public Procurement Regulations 2015.

Financial Issues

- 11 The ongoing software support and maintenance cost of the financial systems will be managed within existing revenue budgets.
- 12 The overall value for money assessment for the procurement will incorporate the cost of change.
- 13 The scale of any implementation and migration project will vary considerably depending on the solution chosen. If the procurement process results in a decision to replace Agresso then the typical timescale for procurement and implementation would be 12 to 18 months. It is therefore possible that a full implementation will not be completed until 31 March 2017. Should this be the case; a short term contract extension with Unit4 may be required. There is provision in the procurement rules to facilitate this should it be necessary.
- 14 The one off cost of migration and implementation of a new system could be in the order of £300K including project management and backfilling of key staff. A budget bid to cover this will be included as part of the Council's Medium Term Financial Plan refresh.
- 15 The intention is to name other local authorities on the procurement with a view to reducing the costs.

Risk Implications

- 16 The risks associated with this project are shown in Appendix 1

Environmental Impact

- 17 There are no specific environmental impacts.

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