

REPLACEMENT FINANCIAL SYSTEM

Submitted by: Head of Finance/Head of Customer and ICT Services

Portfolio: Communications, Transformation and Performance/Finance and Budget Management

Ward(s) affected: All

Purpose of the Report

To obtain approval to invite tenders for the replacement of the Council's financial accounting and management system.

Recommendations

- (a) That tenders be sought for a replacement financial system, within a guideline budget of £188,750**
- (b) That officers be authorised to invite tenders for a replacement system, via an appropriate framework agreement, including the current supplier in the process, and, following evaluation, to award the contract.**
- (c) That the cost be financed from the ICT Development Fund and existing revenue budget provision, as outlined in the report.**

Reasons

The current system has been in place since 2003 and is no longer supported by the software supplier. It is also desired to benefit from enhancements now available and to consider options for integration with other Council ICT systems. Seeking tenders will also provide reassurance that the Council is obtaining value for money in the provision of its financial system.

1. Background

1.1 The system to be replaced comprises:

- General ledger, which records the Council's expenditure and income and holds the Council's accounts
- Purchasing, which enables goods and services to be requisitioned and orders to be despatched to suppliers
- Accounts Payable, used to make payments to suppliers in respect of goods and services

1.2 The current system used is Agresso, version 5.4.5, supplied by Unit 4. It has been in use since 2003. It is no longer supported by the supplier with regard to enhancements or problem fixing. It is, however, a stable system which has required very little support over the years and there are no problems currently being experienced either with the software or the suitability of the system in operational terms. In view of this the annual support payments made to Unit 4 have been reduced and will now amount to an annual fee of £17,345 for 2012/13. The amount included in the 2012/13 revenue budget for annual maintenance is £29,750, which reflects the previous level of support payments.

2. **Issues**

- 2.1 The currently used version of Agresso is two generations behind the latest available. This is the reason that it is no longer supported by the supplier. It also means that enhancements made since the system was originally installed are not available. For these reasons the possibility of upgrading to the latest version (5.6) was explored with Unit 4 and indicative costs were obtained.
- 2.2 The upgrade to the latest version is a significant change in terms of both infrastructure and functionality and will impact on resources in both ICT and Accountancy. Because of this and the period of time which has elapsed since Agresso was installed it is opportune and desirable to test the market for similar systems to ensure that the Council obtains the most effective one at the most economic price.
- 2.3 In the event of a disaster, the current system will be difficult to restore due to its age and underlying technology.
- 2.4 This will also be an opportunity to consider the potential for a replacement system to integrate with other ICT systems currently operated by the Council or which could be employed in the future. This forms part of an ongoing project to consolidate ICT systems so as to realise cost savings and increase system standardisation across services, thereby reducing the amount of time and diversity of knowledge required to maintain systems, whilst improving the service to users and customers.
- 2.5 The estimated value of the contract to be awarded is likely to exceed the threshold (£173,934) for advertising in the Official Journal of the European Union (OJEU), requiring that prescribed procedures are followed in inviting tenders and awarding contracts. It is intended, therefore, to procure the replacement system by using an appropriate existing compliant framework agreement. A framework agreement is a process adopted by the public sector to deliver procurement solutions where an authority is required to advertise in OJEU. Under a framework arrangement the Council will still be required to compile a detailed user and technical specification and carry out its own evaluation of the tenders received and decide who to award the contract to. It is important to ensure that the current supplier, Unit 4 is given an opportunity to submit a tender, so if they are not a participant in the framework agreement selected, they can participate in the process alongside those suppliers and in competition with them.

3. **Options Considered**

- 3.1 Three options were considered:
 - (1) Retain the present system (Agresso Version 5.4.5)
 - (2) Upgrade from Agresso version 5.4.5 to Version 5.6
 - (3) Invite tenders for a replacement system

4. **Proposal**

- 4.1 To invite tenders for a replacement system via a framework agreement, including the current supplier, Unit 4, in the process, as set out in paragraph 2.4. A replacement system can be implemented at any time. It does not depend on events such as the financial year end. However, it is intended to proceed with implementation as rapidly as practicable, with a

target date of 31 March 2013 for all modules (ledger, purchasing, accounts payable) to be operational.

5. **Reasons for Preferred Solution**

- 5.1 The areas covered by the financial system are all critical either in maintaining the Council's business processes or complying with statutory obligations. It is vital, therefore, to ensure that the software used is up to date and fully supported by its supplier. Option 1 does not meet these objectives.
- 5.2 In order to be satisfied that the most effective system is procured and that it represents value for money it will be necessary to invite tenders from suppliers rather than upgrading the current system.
- 5.3 It allows consolidation options to be considered together with any enhancements which might be available from a range of suppliers.

6. **Legal and Statutory Implications**

- 6.1 The Council is required to maintain proper accounting records by the Accounts and Audit Regulations 2011 and has a legal obligation to pay those who have supplied goods and services to it. An effective ICT system is essential to enable these requirements to be satisfied.

7. **Financial and Resource Implications**

- 7.1 The replacement system can be expected to be in use for at least five years. An amount of £29,750 is presently included in the revenue budget to meet annual maintenance charges. In addition a sum of £40,000 has been allocated in the ICT Development Programme, to be financed from the ICT Development Fund. There is, therefore a total amount of £188,750 available to fund the acquisition, implementation and ongoing maintenance costs of a system over a five year period.
- 7.2 The cost of a replacement system will not be known until after the tendering process has been completed. However, this can be partially estimated based on present costs and indicative information available in the marketplace. It is proposed to inform prospective tenderers that the cost of their submission, spread over a five year period, cannot exceed the current cost calculated to be £189,000 in order for it to be acceptable.

8. **Major Risks**

- 8.1 The major risks are:
 - That the Council does not have an effective ICT system to record income and expenditure and compile its accounts and to process purchasing and payments transactions. The proposal to invite tenders for replacement is intended to avoid this occurring.
 - The replacement system chosen is not fit for purpose. This risk should be mitigated, if not eliminated, by setting out the precise requirements and standards in the specification document which will be the basis for tenders submitted.
 - The replacement system is not implemented in a timely manner. The implementation processes and timescales will be one of the major issues explored with potential suppliers during tender evaluation and an assessment will be made of the effectiveness of each one's arrangements and the likelihood of any problems

occurring. There will be an implementation project plan which will be regularly monitored and reviewed.

- A change to an alternative supplier's system will require considerable additional resource input from finance staff, which may not always be available when required owing to conflicting commitments. All users will require fresh training to familiarise themselves with a different system and possible revised working practices.

9. **Key Decision Information**

- 9.1 This is a key decision owing to its cost and is likely to have an impact over 2 or more wards. It has been included in the Forward Plan.