



DECISION TITLE: Financial System Services
Councillor David Seaton: Cabinet Member for Resources
May 2014
Deadline date: May 2014

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton: Cabinet Member for Resources John Harrison: Executive Director Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan : YES Unique Key decision Reference from Forward Plan : KEY/21MAR/04
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	YES The attached Exempt Annex is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to financial and business affairs namely, details of the tender sums submitted. The public interest test has been applied to the information that is contained in the Exempt Annex to this Decision Notice and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it because to disclose it could compromise the Council's position in any future procurement for these services.
Is this a project and if so has it been registered on Verto?	YES Verto number: PR1989

RECOMMENDATIONS

The Cabinet Member is recommended to:

1. Authorise the Executive Director Resources to agree to a Change Control Notice for the Council's existing ICT and Peterborough Serco Strategic Partnership Contract with Serco for the purchase of the Licences, implementation and on-going support for Agresso Business World for the target cost sum of up to £1,280,598 and an annual maintenance and support cost of £88,346;
2. Authorise the Executive Director Resources to vary this Change Control Notice if, during the Design Process stage, the Council has to amend its detailed business requirements. Any amendment will be subject to available funding;

1. SUMMARY OF MAIN ISSUES

1.1 The contract seeks to ensure that the Council is provided with an effective financial accounting and reporting system that is:

- Stable
- Flexible
- Adaptable
- Resilient and
- Appropriate to the needs to the Council in the medium to long term

A detailed business case was produced by Serco in support of the project, with oversight and challenge provided by an internal PCC team.

1.2 Current Position

1.2.1 The Council and Serco strategic partnership currently use Oracle Financials for running Finance and Procurement activities, including ordering good and services, paying suppliers, raising and chasing debtors and managing council budgets. These activities are performed across the majority of the service areas within the Council.

1.2.2 The current version of the financial system being used by the Council is no longer supported by Oracle (and they would only do so if the council undertook upgrades to the application and database software). In order to address the support issue for Oracle, a separate contract has been established with a third party organisation, Support Revolution, which will provide support for the existing version of Oracle for a limited time.

1.2.3 The support offered by Support Revolution can only be considered for a limited period. Therefore the Council has to consider whether to upgrade or replace this system.

1.3 **Why change is needed**

1.3.1 An upgrade now to the latest version of Oracle or the replacement by a market equivalent will provide a secure, stable and supported financial system and enable the opportunity to explore the additional functionality that an updated business application provides. This is ultimately the key driver behind the need for change. The Council cannot risk failure of such a critical business system.

1.3.2 There are a number of important drivers that underpin the rationale for consideration of upgrading or replacing the current Financial system. They cover both direct drivers such as the support issue as well as the need to seek improvements in facility, capability and user experience and include:

- The support for Oracle Financials;
- An upgrade to the current application and associated hardware will provide the ability to explore further efficiency savings by utilising the enhanced and expanded software capabilities;
- Opportunities to directly improve and control end-to-end business process and to potentially offer a more agile and adaptive range of services;
- A Financial System that has the ability to provide Multi Business and Multi-Tenant services, supporting strategic objectives for the Council (allowing arms length or wholly owned companies to utilise the financial system).

1.3.3 As well as such companies, the Council will also be in a position to link in with other councils who may require a new financial system and consider offering shared service arrangements. Current system arrangements do not enable this to happen.

1.4 **Options for Change**

1.4.1 The Outline Business Case produced by Serco considered a list of options including upgrading the existing software and consideration of seven alternative providers/models of service delivery as well as investigating cloud based options. The options considered were:

- Oracle E Business Suite Upgrade (including supplier hosting)
- Agresso Business World (including supplier hosting and via Liberata G-Cloud)
- Microsoft Dynamics
- Cedar Financials
- Capita Integra
- Financial Force (Cloud based)
- Do nothing

High level discussions also took place with Cambridgeshire/Northamptonshire Local Government Shared Services. Following this it was considered that system provision under this arrangement would not be a good fit with the Councils existing business process arrangements, so a formal submission was not sought.

1.4.2 The evaluation followed a two stage process. As the services are currently provided through the Serco contracts, Serco led the dialogue with supplier. At stage 1 an outline high level specification was given to all of the providers. Providers were requested to supply the following:

- Confirming whether their systems functionality could meet the outline specification
- An outline of the costs required to deliver that functionality

If providers responses outlined that they could meet the functionality required, then the costs were compared. Some of the providers did not consider their product suitable for the Council's requirements. Other providers, based on indicative prices were too expensive for further consideration.

1.4.3 Following from this preliminary stage two options were shortlisted for further consideration at stage two.

- Upgrade to Oracle E Business Suite Release 12
- Replace with Agresso Business World Finance , supplied by Unit 4

At stage two, The evaluation approach was similar, but undertaken at a greater level of detail as providers were given a detailed business specification against which to quote for the provision of a new financial system. Again, once it was confirmed that they could meet the functionality required, then the costs were compared

1.4.4 The cost profile of procuring these systems is complex and comprises the following broad elements of expenditure over the life of the product:

- Acquisition costs (ie licences)
- Implementation costs
- Recurring maintenance and support
- In life upgrades
- Wider implications for Serco/PCC support environment

1.4.5 Overall, this is a major area of necessary investment and, once this decision is taken, the system will be part of the Council's infrastructure for a significant period of time. It was therefore decided that a ten year reference period should be used for evaluation purposes.

1.5 **Decision for Replacement with Agresso Business World**

1.5.1 Both systems were able to meet the majority of the Council's business requirements. As such the final decision was determined by the cost of the systems. Agresso requires ,lower capital purchase and installation costs, lower annual maintenance costs and has lower cost of in-life upgrades.

1.5.2 Further details are included in the exempt annex which shows the full purchase, implementation and annual operating costs for Agresso in comparison to the Oracle upgrade costs.

2. **PURPOSE OF THIS REPORT**

2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.3.8 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph 3.4 (g)(g).

2.2 The attached Exempt Annex is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to financial and business affairs namely, details of the tender sums submitted.

2.4 The public interest test has been applied to the information that is contained within the Exempt Annex to this Decision Notice and it is considered that the need to retain the

information as exempt outweighs the public interest in disclosing it because to disclose it could compromise the Council's position in any future procurement for these services.

3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	NO
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5. **CONSULTATION**

5.1 As part of the project full consultation was made with the Council's ICT Strategy, Infrastructure and Programmes Manager and with the Head of Serco Shared Transactional Services. The business case was also presented to the Council's Design and Commissioning Board for approval.

6. **ANTICIPATED OUTCOMES**

6.1 The purchase and implementation of the Financial System Agresso Business World and to agree to Change Control Notices with Serco.

7. **REASONS FOR RECOMMENDATIONS**

7.1 The contract seeks to ensure that the Council is provided with an effective financial accounting and reporting system that is:

- Stable
- Flexible
- Adaptable
- Resilient and

Appropriate to the needs to the Council in the medium to long term.

8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 The alternative options were considered and rejected.

8.1.1 **Option 1 Do Nothing**

The current system is formally not supported by Oracle (though the Council does have support from a third party). It could be supported under Extended Warranty however this is dependent upon the application and database software being patched to an agreed version.

Therefore the risks associated with this situation and not upgrading or replacing the current system are:

- In the event of a major problem Oracle could contractually state that our system is not supported.
- Over time it is possible that it will be less attractive for the third party to continue to provide support.
- Therefore there will be no more patches, security updates etc. and over time the system will be increasingly vulnerable to problems.

8.12 Option 2 Upgrade to Oracle Release 12

The Oracle upgrade option was evaluated as more expensive than the alternative replacement with Agresso Business World.

9. IMPLICATIONS

9.1 Financial

9.1.1 The implementation cost for the Council is £1,280,599, which includes:

- Unit 4 Project team and training costs
- up-front costs of purchasing the system and licences
- Serco project costs for the implementation of the system

The available budget of £1.4m is included within the Capital Programme. The difference between the contract price and budget will cover the Councils project costs and provide a level of contingency.

9.1.2 There will also be on-going costs including:

- annual maintenance costs of £88,346
- upgrade costs of £110,988 during the life of the system
- initial one-off service desk costs of £2,774

Over a ten year period, these costs will total £997,224. These costs can be covered by the existing revenue budget.

9.1.3 The cost is based upon the requirements specification provided by the Council. The first stage of implementation will include detailed design work for the set-up of the new system. This may present opportunities for the Council to consider alternative approaches to certain processes, if that generates efficiencies or better ways of working. If this differed from the requirements specification, then there may be additional costs arising as a result. This CMDN allows for some variation if necessary.

9.1.4 The Business case has been evaluated over a period of ten years, but the licence is a perpetual licence, (which is generally considered to be for a period of 25 years), therefore the Council intends to use the licence as long as it demonstrates value for money. The Council has the right to use the licence for 25 years, but it is not contractually committed to do so.

9.2 ICT

9.2.1 The purchase and implementation of a new Financial System will be provided by the ICT and PSSP Managed Service Contract with Serco, as will the ongoing maintenance of the system. The contract with Agresso will be able to be novated to a new ICT supplier if necessary at the expiry of the Serco contract.

9.3 Legal

9.3.1 The Council has a power to enter into such arrangements pursuant to section 1 of the Local Government (Contracts) Act 1997.