

<b>Cabinet</b>	<b>AGENDA ITEM No. 9</b>
<b>19 June 2023</b>	<b>PUBLIC REPORT</b>

Report of:	Financial System Procurement
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Legal, Finance and Corporate Services
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### FINANCIAL SYSTEM PROCUREMENT 2023

RECOMMENDATIONS	
<b>FROM:</b>	<b>Deadline date: N/A</b>
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Authorise the contract award of the Financial Management IT solution to Unit4 Business Software Limited for a sum not exceeding £2,700,000 for a three-year period commencing on 1<sup>st</sup> July 2023, with an option to extend for a further year.</li> </ol>	

#### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a referral from the Corporate Leadership Team on 30<sup>th</sup> May 2023.

#### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to:

Seek approval for the award of the contract of the current IT solution used for Financial Management to Unit 4 Business Software Limited.

- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.5, *'To make decisions on actions relating to the awarding, assigning and termination of contracts over £500k, and waiving or granting exemptions to Contract Regulations where contracts are over £500k, with the exception any time-critical, operational, or routine decision, which may be determined by the relevant portfolio holder.'*

#### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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#### 4. BACKGROUND AND KEY ISSUES

## 4.1 Background

Approval is sought to approve the contract award of the IT solution supporting the Financial Management of Peterborough City Council (PCC)

Unit4 (previously known as Agresso) has been the financial management solution for the Council for nearly 8 years. The current contract expires on 30 June 2023, and it is proposed the Council procures the solution for an additional 4 years under the Crown Commercial Services G-Cloud 13 framework.

In addition to the procurement of the current solution, the roadmap of development includes 3 areas requiring approval in this Cabinet paper. The costs are not currently included within the existing Capital Programme, but these will be reviewed alongside the current programmes, where it is expected there will be some reprioritisation and reprofiling to ensure this cost can be met within the 2023/34 budgeted resources.

One of the modules proposed, bares a financial saving to rising up to £0.1m in future years, therefore there is a notable financial return on investment for these additional modules in addition to the softer reporting benefits and efficiencies which should be achieved.

## 4.2 Main Issues

With the current financial pressures within the organisation, having a stable, well known and used solution supporting the Council ensures risks relating to system change are avoided.

To support the organisation in mitigating the financial pressures, there is a significant roadmap of transformative development proposed, further increasing the requirement to retain the current solution.

The costs for the areas to be developed and implemented are included within this Cabinet paper, however each area will follow the required governance, including assessment of requirements and business cases. They will not proceed if the requirements are not met or business case not approved. These areas are not currently factored in current budgets.

## 4.3 Overview of these key development areas:

### FP&A (Financial Planning & Analysis)

- Provides in depth reporting and analysis of Unit4 data
- Allows for a more accurate and faster financial planning and analysis.
- Enables a single source of truth of financial information.
- Visual dashboards allowing ease of access to data
- Will support the Council financial transformation programme ensuring that budget managers have the information and tools in place to effectively manage their budgets and make more informed decisions.

### Contract Accounting & Supplier Management

- Ability to match contract data with spend data, allowing for robust reporting on contract and supplier management and performance.
- Streamlined P2P processes, improving efficiencies.
- Reduce or eliminate the risk associated with manual processing in procurement activities, particularly with supplier onboarding, unparking and change of details.
- More control over the procurement process as it will enable the ability to prevent the raising of a requisition in situations where a contract or governance report has not been approved.

### HR & Payroll

- Directly links staff/role costs to budgets, including expenses and additional costs.
- Enables a fully managed, single establishment list.

- Increased efficiencies as currently identified manual processes are reduced or eliminated.
- Streamlines the onboarding, offboarding and moves of staff.
- Prevents data duplications between Payroll system and Finance, thereby reducing incorrect data matching and provides a significantly more robust single version of the truth.

In line with the IT Strategy, we will also be moving the solution to the suppliers Cloud environment, reducing our use of and reliance on internal infrastructure.

#### Procurement

The Council shall award the contract for a 3 year +1 year optional extension term via the publicly available Crown Commercial Service's G-Cloud 13 framework which enables a contracting authority to make a direct award of contract, without any competition, subject to the requirements for a direct award being met. The proposed direct award meets those requirements.

## **5. CORPORATE PRIORITIES**

- 5.1 Having a financial system in place ensures the Council is able to financially operate effectively, has appropriate financial controls and maintains suitable financial records.

It is a system used widely across the council and therefore supports all the Council's priorities, but it is strongly geared towards enabling the Council to deliver on the following priority:

- Supported by a Sustainable Future City Council - adjust how we work, serve, and enable, informed by strong data and insight capability, and led by a culture of strong leadership.

## **6. CONSULTATION**

- 6.1 As part of the decision, consultation was undertaken with the relevant Service leads within the Council.
- 6.2 The report had also been considered by the Corporate Leadership Team and Cabinet Policy Forum. In addition to the officer led Capital Review Group and Capital and I2S Board, which provide scrutiny and challenge to ensure value for money is being achieved and programmes are within the Council's priorities.

## **7. ANTICIPATED OUTCOMES OR IMPACT**

- 7.1 Award the 4-year contract for the provision of the Financial Management system to the current system provider, Unit4 Business Software Limited.

Approve expenditure in relation to the additional 3 modules to be met within the existing Capital Programme.

## **8. REASON FOR THE RECOMMENDATION**

- 8.1 To ensure the stability of the organisation facing significant delivery challenges, and to ensure the continued value provided by the previous and current investment for a longer-term contract period.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 Go out to market to seek a replacement solution via a competitive tender or mini-competition.

However, given the investment to date, and the current requirement for significant development, the benefits of changing to a new system would disproportionately affect the management of the Council's finances.

## 10. IMPLICATIONS

### Financial Implications

- 10.1 The cost associated with the contract award is outlined in within table 1, totalling £0.929m over the 4 year period. This is already incorporated within the Councils 2023/24 Budget and future years Medium Term Financial Strategy.

**Table 1: Annual costs for the current instance of Unit 4.**

	2023/24	2024/25	2025/26	2026/27	Total
Unit4 Annual Licence and support	£190,224	£215,904	£245,051	£278,133	<b>£929,312</b>

\* costs increase annually based on projected RPI

**Table 2: Additional modules to be approved**

Product	One Off	Ongoing Revenue Costs			
	Implementation Cost (Reserves/Capital)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
Financial Planning & Analysis		46	69	79	89
Contract Accounting & Supplier Management (Proactis)		34	52	58	66
HR & Payroll		49	74	84	95
Implementation costs	695				
Current HR solution costs to be saved (annual increase based on current RPI)*			-130	-195	-220
<b>+cost/(saving)</b>	<b>695</b>	<b>129</b>	<b>65</b>	<b>26</b>	<b>30</b>

\*During 2025/26 and 2026/27 costs based on projected RPI

This report seeks approval for this one off expenditure, on the basis that the existing capital programme will be reviewed, reprofiled and reprioritised to ensure this is delivered within the total current approved programme. Therefore it is anticipated there will be no change to the value of the Capital Programme in 2023/24.

Additionally, the Council will look at utilising reserves particularly for the HR and Payroll module where the investment generates a significant saving in future years, where the innovation fund reserve could be fully replenished for the one-off cost. This would be in line with the approach set out within the Councils Reserves policy approved by Council in February.

In respect of the £0.179m of expected additional revenue costs in 2023/24 it is anticipated that this will be funded either via the innovation fund or through service budget efficiencies.

From 2024/25 onwards the financial values will be factored into the Medium-Term Financial Strategy. As highlighted in the table, moving from the current HR system will generate a revenue saving which will exceed any additional costs incurred. The saving will either be factored into the Medium-Term Financial Strategy or used to replenish the reserves depending on the funding strategy adopted. These figures will be finalised as part of the budget setting process.

### **Legal Implications**

- 10.2 The procurement of the contract has been undertaken in compliance with the Crown Commercial Services G Cloud 13 Framework, such call-off contracts are compliant with the Public Contract Regulations 2015.

### **Equalities Implications**

- 10.3 N/A

## **11. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 11.1 None.

## **12. APPENDICES**

- 12.1 None.

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