

NOT CONFIDENTIAL – For public release

COUNCIL

28 July 2022

Report of the Director of Resources

FINANCIAL MANAGEMENT SYSTEM

PURPOSE OF REPORT

This report seeks approval for a supplementary revenue budget of £39,778 a year from 2022/23 to allow for the increased annual costs for the Council's Financial Management System.

RECOMMENDATION

That Council approves a supplementary revenue budget of £39,778 a year from 2022/23 to allow for the increased annual costs for the Council's Financial Management System (Agresso Business World), to be financed from the General Reserve.

WARDS AFFECTED

None

STRATEGIC LINK

A fully supported Financial Management System will help to provide services efficiently and to reduce the risks of service disruption. The provision of sound financial information supports the achievement of all council priorities, but is especially helpful in monitoring the achievement of savings or additional income required to achieve a sustainable financial plan.

1 REPORT

1.1 The Council uses Unit 4's "Agresso Business World" as its corporate Financial Management System. Agresso is one of the Council's core systems and encompasses all of the Council's financial functions, except payroll. The Council currently uses the following Agresso modules:

- General Ledger
- Budgeting
- Requisition and Purchase Order Processing
- Payment of suppliers and other creditors
- Invoicing for Sundry Debtors
- Bank Reconciliation
- VAT Accounting
- Report writing tools.

- 1.2 The Agresso system is hosted on servers that are maintained by North East Derbyshire District Council (NEDDC) as part of the ICT partnership. The servers that host Agresso use SQL 2013 as an operating system. NEDDC has informed the Council that the support agreement for SQL 2013 will expire in July 2022. Arrangements are being made to extend this, but this can only be achieved for a temporary period.
- 1.3 Running an unsupported system is a risk. As well as providing management information, such as for budget monitoring, Agresso is used to pay suppliers, to raise invoices for trade waste, rents and other fees and charges and account for VAT. If the service was not available, such transactions would be delayed resulting in service disruption for our suppliers and customers; there is also a risk of a financial penalty for late submission of VAT claims. As the extended SQL 2013 support is a temporary period, we must upgrade Agresso to a version that is compatible with SQL 2016 or later, or move to the cloud, so that we have a supported system by the time that the extended support expires.
- 1.4 Ruling out the option of “doing nothing”, there are two options for the upgrade:

a) Stay ‘on premise’ and upgrade Agresso to a version compatible with all the latest SQL

- the annual license would cost less than for the cloud version;

However,

- The cost of upgrades has averaged £20,661 a year (with inflation), increasing the annual cost;
- DDDC / NEDDC would continue to be responsible for maintenance, patches, upgrades etc. which haven't been kept up to date in the past as this is a significant demand on teams that are already stretched;
- Unit 4 has indicated that they might have more frequent upgrades (quarterly), meaning more DDDC / NEDDC resources are required.

b) to move to a Cloud-based version, hosted by Unit 4.

- This seems inevitable, so it would be inefficient to upgrade on premise now and have to upgrade to cloud later; better to go to cloud in one step;
- All upgrades, security patches & maintenance will be done by Unit 4, reducing the level of involvement of DDDC / NEDDC staff;
- Improvements in accessibility, business continuity etc.

However,

- There is an increase in the annual cost of licenses (revenue expenditure).

- 1.5 Following discussions between DDDC and Unit4, it was mutually agreed that this has presented itself as a good opportunity for the Council to strongly consider migrating to Unit4's “Software As A Service” (SaaS) offering and ensuring that the Council benefits from being in the Cloud.
- 1.6 Unit 4 has performed a Cloud Migration Assessment (CMA) to explore the transition to SaaS and developed a proposal, which has been considered by officers at the Council,

as well as the ICT Manager. Unit 4 has provided officers with details of the costs, benefits and timescales of moving Agresso Business World to the cloud.

1.7 The key benefits of moving Agresso to the cloud are:

- A tried and tested proven migration and upgrade service from Unit4, reducing the work required by DDDC and ICT colleagues;
- A commercial Software as a Service (SaaS) solution that will incorporate security, resilience, availability and performance in line with the service levels provided under a recognised UK Government framework contract used by many businesses;
- A standard SaaS solution rather than a bespoke service that will provide better value and quality of service;
- Delivery of a modern user experience, with additional functionality, and a fully compliant finance platform that delivers against our business needs and statutory obligations;
- A system that fulfils core reporting needs and conforms to all accounting policies and procedures as in force from time to time;
- Demonstrable best value in comparison to the current application support and service arrangements;
- for government standards for security, resilience and information governance like ISO27001, IS27017 and Cyber Essentials;
- Modest savings from software and hardware and support costs to provide an equivalent level of service from on site.

1.8 Based on a 3 year contract, the cost of the recommended option is £19,733 more than the annualised current cost (taking account of upgrades that have been treated as capital expenditure) and £39,778 above the amount included in the 2022/23 revenue budget.

1.9 This price includes “Managed Application Services (MAS) Lite”. This is an additional tailored fixed capacity resource from Unit 4 to help us to get the best from Agresso, improving our business processes to add value and reduce costs. Officers will have constant access to Unit 4 experts to ensure operational efficiency, and by managing maintenance, monitoring, and day-to-day administration, they will free up DDDC and NEDDDC colleagues to focus on more valuable work, enriching their jobs.

- **Experience** – Unit 4 will keep the software working properly so our employees are engaged and productive;
- **Performance** – Unit 4 will keep the system available and responsive, they monitor it and do all the administration, including all upgrades, saving the time of DDDC and ICT colleagues and keeping the system up to date (something that there has been insufficient resources to do in recent years);
- **Continuity** – Unit 4 will patch the system and keep it secure, so that your business isn't interrupted or compromised;

- **Innovation** – Unit 4 will proactively help us to innovate and adapt to changing circumstances quickly. This should improve our business processes and increase efficiency.

1.10 Subject to Members’ approval of the report recommendation, it is proposed that the upgrade and upgrade should take place as soon as possible, to ensure that the period where the system is unsupported is kept to a minimum and that the upgrade is completed well before 31st March to avoid any delays in meeting the statutory deadline for the Statement of Accounts. The key milestones are set out in the table below:

Table 2: key milestones

Contract to be signed by	31 st August 2022
Planned start date (subject to Members’ approval of this report and availability of staff in financial services, ICT and at Unit 4)	September 2022
Planned completion date	28 th February 2023
Post-project review / Closure Report / Evaluation date	31 March 2023

1.11 Other options that were considered but not recommended are:

- Do nothing** – not a feasible option as the Council requires a reliable, supported financial management system.
- Move to a different software package** – while there are other software systems that might cost less and do a similar job, the Council has invested a significant amount of time and effort to tailor Agresso to meet our business needs. The original implementation of Agresso cost £128,000 in consultancy and involved many staff members. For the original implementation, three members of staff worked at least 50 % of their time for six months and worked on it full time for two months. There simply isn’t the capacity for this level of input at the current time, given the staffing problems in the financial services team.
- A five year direct award contract with Unit 4** – while this would cost slightly less than a 3 year contract, the advice from the legal and procurement teams was that the contract value would breach regulations.
- A framework contract with Unit 4** – disregarded on the grounds that it would cost considerably more for a lesser package than the direct award contract.

2 RISK ASSESSMENT

2.1 Legal

The procurement of the SaaS will be by a three year direct award. While this does not breach regulations, under the Council’s Contract Standing Orders it will be necessary for the Director of Resources to sign a waiver. The risk of legal challenge to the outcome of the procurement process is low, but such a risk can never be entirely ruled out.

2.2 Financial

If the Council does not upgrade its financial management system, there is a risk of system failure which could have serious consequences such as being unable to account correctly for VAT, pay suppliers promptly, invoice customers on a timely basis and monitor income and expenditure against spending plans.

The increase in the annual revenue cost will require a supplementary revenue budget of £39,778, to be financed from the General Reserve. It should be noted that capital expenditure will be reduced by around £21,000 a year. Therefore, the financial risk arising from this report is assessed as low.

2.3 Corporate Risk

Failure to have a satisfactory financial management system would result in significant disruption to officers, customers, businesses, HMRC and other suppliers, which would bring about major reputational damage for Derbyshire Dales District Council. However, the likelihood of that occurring if the upgrade goes ahead is assessed as low.

3 OTHER CONSIDERATIONS

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, health, human rights, personnel and property.
- 3.2 Climate change: There are not considered to be any climate change impacts as a result of the recommendations of this report.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6 ATTACHMENTS

None