

# Decision Pathway – Report

**PURPOSE:** [Key decision](#)

**MEETING:** [Cabinet](#)

**DATE:** 23 January 2024

<b>TITLE</b>	<b>Procurement of Financial Systems including the Council’s Ledger and ancillary payment systems</b>	
<b>Ward(s)</b>	This is an internal business application system and will not impact directly on any ward	
<b>Author:</b> Richard Young	<b>Job title:</b> Head of Strategic Finance	
<b>Cabinet lead:</b> Councillor Craig Cheney	<b>Executive Director lead:</b> Stephen Peacock	
<b>Proposal origin:</b> <a href="#">BCC Staff</a>		
<b>Decision maker:</b> <a href="#">Cabinet Member</a>		
<b>Decision forum:</b> <a href="#">Cabinet</a>		
<b>Purpose of Report:</b>		
To seek approval to procure and award contracts in relation to the Council Financial Systems.		
<b>Evidence Base:</b>		
<p>The evidence base for the report is arranged into two parts, part one being the re-procurement of the Financial Accounting Ledger System, part two being the re-procurement internet payment systems being Pay 360 and Civicapay.</p> <p>To aid understanding of the technical terminology, a short glossary on the financial systems terminology is provided here:</p> <p><b>Unit 4</b> is the principal supplier of the financial accounting system  <b>ABW</b> stands for ‘Agresso Business World’ the name of the financial accounting system  <b>ERP</b> stands for ‘Enterprise Resource Planning’ of which ABW is a type  <b>ERP7 CSO</b> refers to ‘Cloud Step One’, ABW will be moved to this 1<sup>st</sup> step cloud solution from an ‘on premises’ version  <b>ERP7 SAAS</b> refers to the second and final step, where ABW is moved to ‘Software as a Solution’ product in the cloud</p> <p><b>Part 1 - Unit 4 Business World – Financial Accounting Ledger</b></p> <p>Unit 4 Ltd is the software provider for the Council’s main financial accounting system, Agresso Business World (ABW). The system provides the foundation for managing all of the Council’s financial transactions and financial reporting, including its Statutory Accounts, Returns to Government and other Statutory Authorities.</p> <p>The Council, as part of the initial implementation of ABW in 2012, purchased a ‘perpetual’ site license. The system is hosted in Microsoft Azure Cloud within the Agilisys tenant. Agilisys also provide maintenance and level 1 and 2 support with Unit 4 Ltd providing level 3 &amp; 4 support. This relates to the provision of a database, break-fix software fault support and the provision of software releases and advice in optimising the functionality within the software. The provision of level 3 &amp; 4 support can only be provided by Unit 4 as the business owner of the system and software source code. Lower-level support is contractually aligned to this.</p> <p>On the 17<sup>th</sup> October 2023, Unit 4 announced its intention to require all clients to move to its ERP7 SAAS software by 01/01/26. In so doing, it provided the Council with an option to allow it to effectively plan, manage and deliver the</p>		

transition to ERP7 SAAS, by that date (called 'Lift and Shift'). This would include the requirement to consolidate the hosting, support and maintenance into Unit 4. It effectively means from Dec 31<sup>st</sup> 2025 'on premise' solutions will no longer be supported or maintained.

'Lift and Shift' allows the Council to continue to use its current Unit 4 ABW ERP7 software (configuration and functionality) until 01/05/24 when it can potentially start the transition to a new service contract that would see the on-boarding to ERP7 Cloud Step One software. This is a tactical 'Lift and Shift' private cloud solution consisting of Unit 4 migrating the existing BCC and UNIT4 ERP7 environments from the Agilisys Azure tenant to the UNIT4 ERP7 Cloud Step One private cloud. The deployment would then be fully hosted and exclusively supported by UNIT4. In addition:

- All of BCC's existing integrations for UNIT4 ERP7 deployment would continue to function.
- The council will continue to use its's existing UNIT4 Income Manager system rather than having to move to the new HeyCentric Income Module (the move to the cloud necessitates a change in income modules at a cost of £20k)
- The Council can keep any SAAS prohibited customisations.

On-boarding and deployment to Cloud Step One would need to start by June 2024 given the expected timeline for the migration could be between 6 to 12 weeks. This elapsed time would also need to take account of the scope and extent of testing for the migration before deploying into a 'live' environment. This environment would need to be active no later than 30/11/24 when the existing hosting and support arrangements expire with Agilisys. The second phase to the migration would be the move to SAAS by 1/1/26, which is a more significant undertaking and would include the deployment of a new income manager module, Heycentric.

To take advantage of this 2-step approach, including the fixed price benefits offered to early adopters, an Officer Executive Decision was taken to allow the council to enter into a 1-year minimum agreement in December 2023, which it did. This afforded the council opportunity to consider its longer-term options but, with the knowledge that it had an option to invoke a 4-year extension to that agreement. This report seeks the delegated cabinet authority to make this decision. The council has until the 16<sup>th</sup> February 2024 to notify Unit 4 of its intentions to commit to the full 4 year extension.

The 2-step approach, in view of the timing, is the optimal course to take, however if the council chose not to pursue this course of action, it would present the council with:

- A significantly higher annual cost for the hosting and support for its ABW system. Market expectations suggest 2024 prices could see the council's annual fee increase by at least £50k p.a (circa 10%) and it would have to incur a one-off cloud migration fee of c£50-£75k that is waived under the 2-step approach.
- The need to move to ERP7 SAAS and HeyCentric income manager by 30/11/24 unless it is able to re-procure an additional 12 month hosting and support arrangements that are currently provided through the Agilisys contract, at an estimated current annual cost in the region of £0.2m per year. To avoid this cost, migration would need to commence by April 2024 and there is not sufficient resource capacity to manage and implement this significant change and in that time.

The choice to move to Unit 4's second step solution product (ERP7 SAAS) is brought about solely as a consequence of Unit 4's announcement to move the product to the Cloud and SAAS. Alternative courses of action could be to continue with the 'on premises' solution then develop an options appraisal to find a new ledger solution, or move to Cloud solution but not move to SAAS. For price, timing and functionality reasons (including uninterrupted user experience) neither alternative is recommended.

Options for an alternative system and its hosting would normally be explored by the Council alongside this proposed change. However, the period, between December 2023 and December 2024, is not sufficient to undertake a wholesale options appraisal process to determine whether to select a replacement main accounting system, to procure it and to successfully deploy any replacement solution. Equally noteworthy is eleven years after its original implementation the Unit 4 ABW system configuration and functionality is now considered to be mature and well

embedded, making it an integral and essential aspect of the Council's financial management and reporting arrangements. Such an approach has enabled the council to avoid the need for the costly implementation of a new system which would have both significant capital and revenue implications as well as likely disruption and risk to business continuity. The recommended option is to:

- Continue to utilise the Unit 4 ABW software; and
- Procure a new 5-year (1 year followed by 4 year) service agreement for hosting and support of that system to allow the Council to initially transition to ERP7 CSO from 01/05/24 and then to ERP7 SAAS by 31/12/25, should it decide to do so. This will allow the council to retain the current functionality and configuration of the system, so there would be no noticeable change to end users as the core application remains the same.

The service agreement affords the council the opportunity to give a 90-day Notice of its intention not to migrate to ERP7 SAAS before 31/12/25. This would lead to Unit 4 either terminating the agreement or uplifting its annual fee by c40% for the remainder of the contract term. The council's current expectation is that it will migrate to ERP7 SAAS by that timeline.

The annual cost of the 'Lift and Shift' proposal, plus any incidental costs arising from the on-boarding and migration to ERP7 CSO are expected to be contained within the current approved hosting, support and maintenance budgets. The transition to Unit 4 ABW (ERP7 SAAS mode) is expected to be appraised in more detail taking into account the likely costs to BCC. It is not however expected the appraisal will result in any change in direction ie towards adoption of the new ERP7 SAAS system, for the reason set out above.

### **Part two - Council On-line Payments**

Pay360 software has been in use in the Council since 2003. The software provides an online payment gateway to allow citizens, businesses and other stakeholders to make a digitally secure on-line payment for works, services, and other activities provided to them by the council. Sitting alongside and integrated into this are other payment solutions including payment kiosks, an automated telephony solution and chip and pin devices under a single card merchant acquirer.

This evolving hybrid payment framework has been borne out of both business need and the changing expectations of customers to be able to make a secure payment across multiple platforms. In 2018, the council expressed an ambition to consolidate its payment solutions into a single provider software platform. A procurement exercise was held and a preferred bidder, CivicaPay, was awarded the contract. In starting to mobilise into the implementation phase of the contract it became apparent that the solution (at that time) could not fulfil the business requirements of the council, as set out in the tender requirements, which led to the implementation being paused. This is still the case to this date. The Council now wishes to formally close down the stalled implementation, review options and take the necessary action in respect of both current arrangements and the 2018 CivicaPay contract.

In 2023/24 the council agreed to a final year to the Pay360 contract that was originally signed 14/03/2022. In December 2023, an OED was taken to provide for a cost extension given the increase in the volume and value of transactions being processed, primarily arising from the introduction of the Bristol Clean Air Zone. This had been identified through routine contract management arrangements.

From 01/04/24, the Council needs to ascertain its future online payment system requirements and in so doing re-establish a baseline and forecast for expected transaction volumes. Finance, IT/business application and procurement officers have been reviewing potential options to determine the future direction for payments being made to the Council. This primarily looked at the opportunity to implement a unified payments solution versus retaining the current configuration and operating model. The current arrangements are now well embedded and interface with other payment solutions procured under separate contractual arrangements out of necessity to meet business and customer needs. The preferred choice is therefore to continue with the current 'as is' arrangement and as such the recommended option is to:

- Continue to utilise the Pay360 software; this will allow the council to retain the current functionality and

configuration of the system, so there should be no noticeable change to end users as the core application remains the same.

- Procure a new service contract for the Pay360 software that is compliant with public procurement regulations, provides value for money and is affordable within the net budgetary provision currently made available for this system.

**Cabinet Member / Officer Recommendations:**

That Cabinet:

1. Note the two contract extensions Decisions taken on 27/11/2023 to extend the Agilisys Hosting & Support Contract for ABW and to extend the final year of Unit 4 Support and Maintenance Level 3/4 including the transition to ERP7 Cloudstep One, referred to as a 'lift and shift', which is the first phase towards ERP7 Software as a Service (SAAS) as required by Unit 4.
2. Authorise the Director of Finance, in consultation with the Deputy Mayor with responsibility for Finance, Governance and Performance to
  - (i) procure and award the contract and implement the 4-year service agreement starting 1/5/24, bringing the total contract period to 5 years, for the hosting and support of the Council's financial ledger and accounting system, with Unit 4 Business World, including any associated technical configuration changes to ensure business continuity at an estimated potential cost of between £2.2m to £2.5m over 5 years. (This will align with the expiry of the current arrangements on 30/11/2024 and will include the move to 'SAAS').
  - (ii) procure and award the contract and implement a solution for the Council's internal payment system with 'The Access Group Pay360', when the current arrangement expires 31/03/24 at an estimated potential cost of £3m over three years.
3. Authorise the Director of Finance in consultation with the Deputy Mayor with responsibility for Finance, Governance and Performance to review options for the Council's payment systems and thereafter determine the most appropriate solution and take the necessary action (in respect of both current and new arrangements, as appropriate) to implement that decision including procuring and awarding contracts which may be above the key decision threshold.

**Corporate Strategy alignment:**

This proposal contributes to the Corporate Strategy principle of Good Governance, helping us be an effective development organisation by enabling responsible financial management.

**City Benefits:**

None

**Consultation Details:**

None

**Background Documents:**

Officer Executive Decision Authorising Contract Extension for one year for Unit 4

[ModernGov - bristol.gov.uk](https://modern.gov.uk/bristol)

Key Decision – Authorise Extended Expenditure on the Council's payments system

[ModernGov - bristol.gov.uk](https://modern.gov.uk/bristol)

<b>Revenue Cost</b>	£5.5m	<b>Source of Revenue Funding</b>	General Fund
<b>Capital Cost</b>	£0	<b>Source of Capital Funding</b>	N/A
<b>One off cost</b> <input checked="" type="checkbox"/>	<b>Ongoing cost</b> <input checked="" type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input checked="" type="checkbox"/>

**Required information to be completed by Financial/Legal/ICT/ HR partners:****1. Finance Advice:**

Unit 4, BW: The current annual hosting, support and maintenance cost for the system is £539k. This is funded from within the ICT budget. There are expected to be some additional incidental costs associated with the transition to 'Lift and Shift' – ERP 7 CSO which will be funded within the current budget envelope given the reduced annual cost (£459k) resulting from consolidating support arrangements and a scheduled reduction in the number of desktop users.

At this stage, the potential cost of transitioning from ERP7CSO to ERP7SAAS is not known. The Council, however, reserves the right to give Unit 4 notice of its intention not to proceed to ERP7SAAS. This notice would need to be issued at least 90 days prior to the 31/12/25 and would lead to the contract either being terminated or a 40% uplift in its annual service cost. The Council does not at this stage expect such an occurrence.

Council Payment system: The Council's internet payment service contract is budgeted from the General Fund budget, the budget for the activity is £441k. The current annual costs are c. £1m with £441k being funded by General Fund budget and the balancing costs being fully recharged. Forecast volumes of transaction by service area suggest the cost of processing transactions for services provided outside of the General Fund, e.g. CAZ and other earmarked accounts, will enable the net cost of providing the service to be retained within the current budget allocation.

**Finance Business Partner:** Kathryn Long, Finance Business Partner (Resources Directorate), 11<sup>th</sup> January 2024

**2. Legal Advice:**

The Council's Procurement Rules and the Public Contracts Regulations 2015 must be followed in relation to the procurement process for the new contract. Legal services will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements.

**Legal Team Leader:** Eric Andrews, Team Manager, 5<sup>th</sup> January 2024

**3. Implications on IT:**

Given the stated requirement to review the current arrangements, the proposed option represents the least risk, lowest disruption option. There will be the requirement to review and potentially modify the integrations with other BCC systems and IT Services effort will need to be incorporated into any transition plans. The opportunity should also be taken to clarify and codify the necessary support arrangements. IT are supportive and available to aid in progressing relevant work and can be engaged through the existing work request process

**IT Team Leader:** Alex Simpson – Lead Enterprise Architect, 7<sup>th</sup> January 2024

**4. HR Advice:** No HR implications of the recommendations. Any impact on the contractors' employees arising from service provision changes is a matter for the respective contractors

**HR Partner:** James Brereton, Head of Human Resources, 8<sup>th</sup> January 2024

<b>EDM Sign-off</b>	Stephen Peacock, Chief Executive	6 <sup>th</sup> December 2023
<b>Cabinet Member sign-off</b>	Cllr Craig Cheney, City Economy, Finance and Performance	11 <sup>th</sup> December 2023
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	20 <sup>th</sup> December 2023

<b>Appendix A – Further essential background / detail on the proposal</b>	<b>NO</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>YES</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>YES</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>NO</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>