

Summary Sheet

Council Report

Cabinet and Commissioners' Decision Making Meeting – 11 July 2016

Title

Corporate Financial Information Management System - Master Services Contract

Is this a Key Decision and has it been included on the Forward Plan?

Added to the forward plan, but not a Key Decision on the basis that no approval is being sought to vary the Council's budget nor has any impact on local communities living.

Strategic Director Approving Submission of the Report

Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

All

Executive Summary

Advanced is the supplier of the Council's corporate Financial Information Management System (FIMS) consisting of the following suite of integrated solutions:

- General Ledger, Accounts Payable, Purchase-To-Pay, Bank Reconciliation
- Collaborative Planning (Revenue & Capital monitoring)
- Version1 (Optical Character Recognition & document store - Invoices & Purchase Orders)

On 7th October 2015 Commissioner Manzie approved an exemption to Standing Orders 48 (requirement to invite three to six tenders for a contract with an estimated value of £50,000 or more) to renew the current Master Services contract with Advanced for one year to allow time to investigate and present options for the longer term. The contract is due for renewal 1st October 2016.

A period of soft market testing has concluded that the open marketplace has no appetite to participate in a formal tendering. In the opinion of the Strategic Director Finance and Customer Services and the Assistant Director of Financial Services and the system owner, the system is fit-for-purpose delivering highly efficient business processes to support the operational needs of its users to achieve better outcomes for the Council and supports and provides the best value money option for the Council, with annual system maintain costs of less than £100k.

Discussions with Advanced provide the Council confidence that the terms of the existing contract can be renegotiated to reduce costs and realise additional benefits and would enable the Council to avoid a lengthy and expensive procurement exercise and the cost of a new system, approximately £2m with on-going revenue costs.

Recommendations

Cabinet is asked to approve:

1. An exemption from Standing Order 48 (requirement to invite three to six tenders for a contract with an estimated value of £50,000 or more) be granted and approval is given to allow the Advanced Master Services Contract to be renewed for 5 years.
2. The Master Services contract termination date is aligned with the co-dependant Managed Service contract with the option to extend both contracts for a further 5 years subject to an ongoing VFM best case being presented.
3. That the Assistant Director of Financial Services is delegated to renegotiate the terms and conditions of the Master Services and Managed Services contracts.
4. The publication of an EU VEAT notice.

List of Appendices Included

None

Background Papers

- Financial Information Management Systems Specification of Requirements
- Corporate Financial Information Management System – Contract renewal Exemption Report (7th October 2015)
- Financial Systems Managed Service Renewal - Exemption from Standing Orders (3rd February 2015)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Corporate Financial Information Management System - Master Services Contract

1. Recommendations

1.1 Cabinet is asked to approve:

1. An exemption from Standing Order 48 (requirement to invite three to six tenders for a contract with an estimated value of £50,000 or more) be granted and approval is given to allow the Advanced Master Services Contract to be renewed for 5 years.
2. The Master Services contract termination date is aligned with the co-dependant Managed Service contract with the option to extend both contracts for a further 5 years subject to an ongoing VFM best case being presented.
3. That the Assistant Director of Financial Services is delegated to renegotiate the terms and conditions of the Master Services and Managed Services contracts.
4. The publication of an EU VEAT notice.

2. Background

2.1 Advanced has been the Council's Financial Information Management System (FIMS) provider since 2000, currently providing the following portfolio of functionality at an annual cost of £95.4k:

- General Ledger & Journals upload
- Accounts Payable
- Purchase Order Processing
- Bank Reconciliation
- Collaborative Planning; budget monitoring and forecasting
- Document scanning and data capture

Advanced also host and support the Council's Business Analytics hardware platform and software licences.

2.2 The FIMS and associated contract were reviewed circa 2003 during the establishment of the Rotherham BT partnership and it was decided that the FIMS met the partnerships requirements.

- 2.3 In 2010, Insight Ltd were commissioned by the previous Strategic Director of Finance to undertake an independent review of the Council's existing FIMS and business processes to better understand what the market was able to offer. Following this extensive review, it was concluded that the best option for the Council from a functional and value for money perspective was to upgrade and re-implement the FIMS offered by Advanced. As part of the subsequent project to implement the decision, the ICT platform and support was moved to the cloud (under a Managed Services Contract), hosted by Advanced under a separate 5 year contract, which is due to end in October 2021.
- 2.4 Intrinsic to the Insight review, the Council explored:
- A "cloned" shared services offering from Sheffield CC (SCC). This would have involved the Council mirroring the SCC FIMS and underlying business processes, having no future control on systems development and functionality in return for a 25% cost saving over the contract life. Finance in that time have made savings of at least 40% and have significantly invested resources in the product suite. Sheffield are now looking to replace its FIMS portfolio and have met with the Council's FIMS manager to review our solutions but expressed no desire to consider a shared services offering.
 - An ERP (SAP) shared services offering from Barnsley MBC was also considered but was rejected on value for money grounds in particular the significant annual and implementation cost was seen as prohibitive.
- 2.5 The subsequent upgrade and re-implementation of the FIMS focused on standardising and optimising business processes to act as a catalyst to transform the way financial processes, financial information and financial services are delivered. The outcome of the work has delivered efficient and standardised business processes providing fit-for-purpose solutions to its users allowing Financial Services to reduce headcount by +40%. An ongoing programme of planned incremental developments continues principally focussed on further integration and optimising the business use of data analytics reporting.
- 2.6 In the early part of 2015, the matter of the Advanced Master Services contract renewal was referred to the Council's Digital Council Board to consider a strategy for managing its renewal along with other Council Contracts that were operating on a rolling renewal basis.
- 2.7 During this period discussions were held with Doncaster MBC (a new Advanced customer) and Advanced to consider a shared services partnership including the possibility of acting as a Transactional Hub for processing other local authority transactions e.g. P2P orders, invoices etc. These discussions were brought to a close given the limited appetite for such a sharing of FIMS and Advanced moving to work in partnership with Mouchel's to provide such a transactional hub.

- 2.8 As the Advanced Master Services contract was due to end at the beginning of October 2015 and the Digital Council Board had not agreed a corporate strategy to renew its rolling contracts the FIMS system owner was advised in September 2015 to seek an exemption to Standing Orders to renew the Advanced contract while the Board continued to consider a strategic approach for the remainder of the systems.
- 2.9 On 7th October 2015 Commissioner Manzie approved an exemption report to renew the current Master Services contract with Advanced to continue to supply and support the Council's FIMS for one year, allowing time to investigate and present options for the longer term. The contract is due for renewal 1st October 2016.
- 2.10 For the past 12 months the FIMS systems owner has been working in Midland HR (MHR), an outsourcing Human Resources and Payroll provider to develop a Financial Workforce Budget Planning solution using software hosted by Advanced. MHR are now keen to work with the Council to market and sell the solution to other public bodies which will be dependent on the council continuing to have its current infrastructure in place.
- 2.11 Similarly during that time, Financial Services has been working with colleagues in Procurement to undertake a soft market testing exercise to gauge the relative appetite in the software supplier market for providing a similar suite of FIMS products, prior to engaging in a lengthy and potentially costly full market tendering exercise. The exercise involved inviting all 14 suppliers from the Crown Commercial Corporate Software Solutions framework to respond to a high-level specification document. In an effort to minimise supplier effort and encourage maximum participation, suppliers were invited to indicate whether their solution met the high level specification requirements with the intention of inviting those suppliers to demonstrate their solutions as part of completing an initial evaluation exercise. During this three week period suppliers were invited to indicate their interest:
- Five suppliers confirmed that they had no interest in submitting a bid.
 - Two suppliers attended a clarification meeting:
 - HCL Technologies expressed an interest in offering an Enterprise Resource Planning (ERP) solution which far exceeded the scope of the Council's requirements.
 - Oracle expressed an interest in offering their ERP solution but were not prepared to host and support the Business Analytics platform, promoting their Business Objects solution instead.
 - Neither HCL Technologies nor Oracle showed any interest in tendering for the current FIMS portfolio and no subsequent tender responses were received from either party.
 - IBM UK Ltd confirmed that they had an existing strategic relationship with Advanced and therefore would not be responding.

- Advanced submitted a response, expressing an interest in the “development of a shared service proposition, review of contract terms and upgrades”.

2.12 Given the amount of market intelligence and information available to all suppliers within the framework, it is believed that the apparent lack of supplier appetite is in recognition that other suppliers would not be able to commercially compete with the current incumbent due to the additional development, data migration and implementation costs that would be associated with changing supplier. This has been highlighted in discussions with Telford & Wrekin Council, a former Advanced customer. Telford has recently confirmed that their replacement project to move to Agresso cost £1.8m (for a smaller suite of FIMS products), with on-going support and maintenance costs of approximately £58k a year.

3. Key Issues

- 3.1 It is considered that the best value for money outcome for the Council and its citizens is to align the co-dependant Managed Service contract and the Master Services contracts to have the same termination date.
- 3.2 To achieve the best value for money outcome for citizens the Advanced contracts are renegotiated with the aim of achieving more favourable financial terms as well as ensuring the general terms and conditions are brought up to date and reflect modern practice and encompasses the latest ICT security standards.
- 3.3 The contract negotiations include making a reality of Advanced’ shared services proposition as outlined in their response to the soft marketing testing exercise and provide a stable platform to allow discussions with MHR to progress.

4. Options considered and recommended proposal

- 4.1 The recent soft market testing exercise has concluded that the market has no appetite to participate in a tendering exercise for the scope of software and services currently delivered by Advanced and that going out to formal tender would not represent the best value for money for the Council or its citizens.
- 4.2 As the current solution meets the functional requirements of the Council, delivering highly efficient and fit-for-purpose business process at a low cost of operation, it is considered that renewing and renegotiating the terms of the Advanced contract to achieve greater value for money on behalf of the Council represents the best option.

- 4.3 An option to extend the term of both contracts for a minimum of 5 years and a maximum of 10 years subject to the successful delivery of a shared services offering to provide customers the contractual stability they would expect.

5. Consultation

- 5.1 Both Legal Services and Procurement Services have been consulted in the preparation of this report and support the recommendations being made.

6. Timetable and Accountability for Implementing this Decision

- 6.1 Based on the report being approved, the recommendations will be to immediately commence negotiations with the supplier to agree the best terms possible for the Council.

7. Financial and Procurement Implications

- 7.1 There are no financial implications as all on-going revenue expenditure is being met from mainstream funding.
- 7.2 The Council has a legal obligation under the Public Procurement Contract Regulations 2015 to advertise this business within the market place for open competition. However if the Council decides to award this contract directly to Advanced, then a voluntary ex-ante transparency notice (VEAT) must be placed in the Official Journal of the European Union (OJEU). Once published this will allow companies who feel they could have competed for the contract a ten day 'standstill period' in which to mount a legal challenge. After that date, no further challenge can be made which would see the contract award being declared ineffective by the courts, and therefore rescinded or annulled.

8. Legal Implications

- 8.1 Under Standing Order 38 an exemption from Standing Order 48 will be required and the recommended course of action represents the best value for money option available in the present circumstances.
- 8.2 The Director of Legal and Democratic Services concurs with the recommendations for the reasons outlined in the report.

9. Human Resources Implications

- 9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no direct implications arising from the proposals to Children and Young People and Vulnerable Adults.

11 Equalities and Human Rights Implications

11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

12.1 There are no implications arising from this report to Partners or other directorates.

13. Risks and Mitigation

13.1 Should the contract not be extended, Advanced will cease providing all support and maintenance for the software covered by the contract at the end of its term presenting a significant risk to the Council in delivering its financial management responsibilities.

13.2 Changing supplier would require significant financial and human resource implications over a prolonged period due to the procurement activity and implementation activities associated with such a strategy which under current circumstances would prove a challenge for Procurement and corporate ICT in particular due to on-going projects. It is not anticipated that a change of system would offer the Council any significant operational or financial benefit which would likely be outweighed by the potential adverse impact on operational service performance.

13.3 By not undertaking a formal tendering exercise there is risk to the Council of challenge by other suppliers who may be able to offer a similar software solution. To mitigate this risk it is intended that if the report recommendations are approved, a European Union (EU) Voluntary Ex-Ante Transparency (VEAT) notice would be published for a minimum of 10 days to make potential suppliers aware of the Council's intention. Whilst there is a risk of legal challenge, previous use of such a notice relating to other corporate ICT systems has not led to a challenge.

14. Accountable Officer(s)

Judith Badger - Strategic Director of Finance and Customer Services, Tel: 01709 22046, email: Judith.Badger@rotherham.gov.uk

Approvals Obtained from:-

Strategic Director of Finance and Customer Services:- Judith Badger

Assistant Director of Finance:- Stuart Booth

Director of Legal Services:- Ian Gledhill (Principal Officer)

Head of Procurement (if appropriate):- Helen Chambers (Procurement Manager)