**Meeting of Executive Member for Corporate Services and Advisory Panel**     **29$^{th}$ January 2008**

**Report of the Director of Resources**

### Financial Management System Replacement Project

### Summary

1.    The purpose of this report is to seek approval from the Executive Member to award preferred supplier status and, subject to contract clarification, the contract to provide the Council with a new financial management system to Civica UK Limited.

2.    In line with the Council's financial regulations, the Executive Member has to approve the decision to award preferred supplier status prior to contract clarification, if it is not the lowest cost proposal. The preferred supplier for the FMS contract is not the least cost, although the difference between the bids is marginal and Officers consider that the long term benefits of appointing Civica as preferred supplier outweigh that of Agresso Limited, the least cost supplier.

3.    The report sets out the reasons for the proposal in light of the procurement process and Most Economically Advantageous Tender (MEAT) evaluation that has been followed. It sets out the relative risks, advantages and disadvantages of each system in arriving at the proposal.

### Background

4.    The current FMS is provided by Civica plc and is called Powersolve, which was implemented in 1994. The system has provided reliable service over the years, however, it is now considered to be out of date and not fit for purpose for modern accounting and reporting needs. This has been recognised by the Council, and as part of the 2004/05 IT Development Plan, a straightforward replacement of the system was approved. The scope of the project is attached at Annex B.

### Consultation

5.    An FMS project board was established with representatives from Corporate Accountancy, ITT, Audit and Risk Management and the Service Directorates. The board was chaired by the Head of Finance with the remaining member being at either Assistant Director or Service Manager level.

6. The Project team consulted with staff across the Council to agree the requirements specification for the replacement FMS. Representatives from business users in all areas were involved in the evaluation at the demonstration stage, with a general presentation from each supplier open to all FMS users. The site visit stage of the evaluation were restricted to the project team, with 8 staff being involved. Overall 100 staff were involved in some part with the evaluation of the suppliers.

7. We continue to keep in touch with representative from each Directorate, via meetings and email. We also keep the wider user base and interested parties informed of progress, through our regular Newsletter which is posted on the intranet and has had more than 250 hits on some issues.

## Options

8. There are two options:

   a. Award the contract to Civica UK Limited;

   b. Award the contract to Agresso Limited.

## Analysis

9. Following the recruitment of the project manager the system requirements were drawn up in conjunction with the business users. The size of the contract meant that the European Union (EU) procurement rules were followed, with the "restricted route" chosen. This resulted in a four stage evaluation process. The Council adopts the PRINCE2 project management methodology and this has been followed at all stages of the project.

10. The Most Economically Advantageous Tender (MEAT) approach was agreed as the most appropriate method of evaluation. Sixty per cent of the score was allocated based on the functionality, supplier capability and technical qualities of the system (the quality element of the score). Forty per cent was allocated for price. The evaluation model was developed in conjunction with the Corporate Procurement Team and agreed with the Project Board.

11. At all stages of the evaluation process, in depth analysis and quality control through the project team and Project Board has been undertaken to ensure that the Council arrives at the right decision.

### Stage 1 – Prequalification Questionnaire (PQQ)

12. The PQQ was issued, this served to reduce the amount of suitable suppliers that would be asked to tender. There were 52 expressions of interest with 15 completed responses. Following evaluation of the responses a further 3 suppliers were excluded for a variety of reasons, including size and financial status, leaving 12 companies to choose from.

## Stage 2 – Invitation to Tender (ITT)

13. The 12 remaining companies responses were then scored and ranked, with the top 5 being chosen to be Invited to Tender (ITT) for the contract. The tender documentation was issued which included the Council's full requirements specification. Two of the 5 potential suppliers elected to withdraw at the ITT stage citing the small size of the budget and the limited opportunities for mutual benefits they believed possible.

14. Three ITT Responses were received from Agresso, Civica and Cedar. These were evaluated according to how well the system met our requirements.

15. In arriving at the scores we have selected what we consider is the fairest scoring method by taking average scores from those who evaluated all three supplier ITT Responses. The results indicated that the three suppliers were all capable of providing us with a suitable replacement for our current FMS and none were excluded from the next stage. Detailed scores from this stage of the evaluation are set out in Table 1 of Confidential Annex A, with the ranking as followed:

   - Civica – 1st
   - Agresso – 2nd
   - Cedar – 3rd

## Stage 3 - Presentations and Demonstrations

16. Following the ITT evaluations, the suppliers were invited to carry out a series of presentations and demonstrations, to inform the selection process further.

17. The scores from the Presentations were very close but these were not used for final analysis and scoring because of the technical problems encountered by Cedar during their Presentation.

18. In arriving at the scores we selected what we consider is the fairest scoring method, taking average scores from evaluators who attended all three supplier demonstrations.

19. After evaluation of the ITT Responses and the Demonstrations, weighted scoring that included costs, placed the suppliers in the following order:

   - 1st Agresso
   - 2nd Civica
   - 3rd Cedar

20. Table 2 in Confidential Annex A illustrates the scores at this stage.

21. At this point it was recommended to the Project Board that Cedar were dropped and that the Agresso and Civica products would be evaluated through site visits as they were the clear leaders. Reflected in the scores was the fact that both Agresso and Civica offered a system operating on hardware and software that would be more compatible with CYC desired future direction.

22. This recommendation was accepted and site visits to Agresso and Civica sites were planned accordingly.

**Stage 4 - Site Visits**

23. Site visits for Agresso and Civica were conducted, with the project team visiting the Agresso sites at Ealing and Windsor and Maidenhead, and the Civica sites being South Gloucester and Plymouth. Following site visits the final scoring ranked Civica first and Agresso second, with Civica becoming the clear leader. Table 3 in Confidential Annex A provides full details of the final scores.

24. As illustrated in Table 3 in Annex A, Civica scored highest on quality, however, Agresso scored highest on price, because they submitted a marginally lower annualised cost.

25. As part of the quality checking process a detailed exercise has been undertaken to ensure that the evaluation model reflected the underlying feelings of the members of the evaluation team. A review of the evaluation scores at all stages have revealed that the Civica solution has scored highest on quality at all stages of the process. In addition the scores of the main functionality components reveal that Civica scored highest in 8 of the 10 components of quality measured, including the General Ledger and General System, the most important components of the product.

26. The closeness of the scores reflects the more conservative approach taken by the Council. The financial management system is one of the most important IT systems in the Council, without which the Council would not be able to manage and monitor its finances, pay its customers and bill its service users. It has always been of paramount importance that whatever system was chosen, that it could meet the Council's strict requirements and be a proven system. This "off the shelf" approach to the procurement meant that only systems that had a broad local authority user base, with a proven track record of delivery, were initially shortlisted. The closeness of the scores recognises that both systems would be suitable for the Council. However, the preference for Civica has been backed up by evidence acquired from the site visits and subsequent telephone conversations with colleagues from authorities with Agresso and Civica systems. The key differences that back up the evaluation scores are highlighted below in a SWOT[1] analysis.

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[1] Strengths Weaknesses, Opportunities and Threats posed by the two products

**Strengths, Weaknesses, Opportunities and Threats of the Systems**

**Strengths**

27. Civica

- Civica proposal provides a flexible solution to address the majority of CYC requirements.
- GL coding structure is more intuitive than the Agresso model as demonstrated across the 4 reference sites.
- Financial Year End process is effective and quick.
- Many of the features of Civica Financials are similar in principle to those in Powersolve, though more sophisticated in their execution and aligned with CYC's current financial processes and controls.
- Civica are the suppliers of Powersolve and are therefore in the strongest position to support data migration.
- Feedback on consultancy and support through the implementation process are very good and the resulting installation has proved reliable.

28. Agresso

- Agresso proposal provides a flexible solution to address the majority of CYC requirements.
- Particular strengths are the visual nature of workflow, e-procurement and the contracts module.

**Weaknesses**

29. Agresso

- Year End process is overly complex and/or deficient forcing some authorities to abandon using the Agresso product.
- No direct consultancy support available for data migration other than providing load scripts.
- CYC technical knowledge of Powersolve tables insufficient to support data migration.
- Implementation approach is largely "hands-off" requiring more input from CYC.
- Feedback of the consultancy on project support give a view of variable quality of consultants and a high expectation of Council staff and less complete and reliable implementations.

30. Civica

- E procurement contracts module functionality not available in this release.
- Intelligent scanning been delayed in implementation at other sites.

**Opportunities**

31. Civica

- Civica already provide a large number of CYC back-office systems (Cash Receipting, Trading Standards, Commercial Services software). Civica are best placed to understand and support any future systems integration between these systems required to enable future phases of Easy@York.
- On balance, Civica considered to present the least risk option for replacing FMS within CYC's timescales.

32. Agresso

- System has the potential to challenge some of CYC's inherent processes.

**Threats**

33. Agresso

- Problems arising during data migration could seriously impact project timescales.

34. Civica

- Implementation approach is marginally more resource intensive requiring greater resource commitment from CYC.
- Civica identified some areas where planned developments may need to be delivered early to meet CYC specification. Needs to be reviewed and timescales confirmed before contract is signed.

**Staffing Requirements post implementation**

35. Both systems require similar levels of internal resource, with the administration of the system being controlled by Accountancy. The typical team had 4 FTE's covering:

- Help desk, training and systems admin.
- User set up and workflow and chart of accounts.
- Interfacing – Project costing etc.
- Interfaces and development and system checks/reconciliations.

36. The current CYC set up is dispersed between corporate accountancy, systems support, IT and debtors/creditors. A review of the structure of the support for the financial system will have to be undertaken to maximise the benefits that can be realised. However, the on going resource to operate either system, on paper, is not significantly different to current levels.

**Review of Costs**

37. The cost appraisal has been done based on the costs submitted by both Civica and Agresso. Details of the costs submitted are analysed in Section 2 of Confidential Annex A.

**Conclusion**

38. The evaluation model scores reveal that Civica is the highest scoring supplier. This has been confirmed by further SWOT analysis of the two systems. It is believed that the business benefits of the Civica system will out weigh those of the Agresso system, with many of the features of Civica Financials being similar in principle to those in Powersolve. This should improve the ease with which the change is made for the user community. It is also believed that training and support will be simplified by selecting Civica. This may allow us to focus more on the business changes identified rather than make changes to fit around the Agresso system.

39. The scores from the evaluation, confirmed by supplementary evidence mean that Officers recommend that Civica are appointed as preferred suppliers for the new Financial Management System.

# Corporate Priorities

40. The Council's Corporate Strategy sets out the priorities, values, vision and direction of the Council over the next 10 years, as well as its short term imperatives. The replacement financial management systems is one of those imperatives, although the key long term outcome of appointing Civica is that it will contribute to the value of "encouraging improvement in everything we do". Specifically it will result in improvements and efficiency in financial management, billing and procurement of goods and services, allowing resources to be better targeted to meet its priorities.

41. The project objectives have been defined to support this value. The Objectives of the Project are:

    a) To provide a system using current technology that is intuitive and user friendly, requiring a minimum amount of training to enable users to be effective in their roles.

    b) To meet the demands of the Council and customers for functionality, reliability, scalability, availability, ongoing development and growth.

    c) To provide accurate and up-to-date financial information to managers to enable the Council to be more proactive in its decision-making process.

d) To enable managers to identify efficiency savings in expenditure to free up more resources for improvements in front line services, as highlighted by the Gershon Agenda.

e) To identify and meet the E-Procurement requirements of the Council and improve the cost effectiveness and management of the purchase to pay cycle.

f) To provide an efficient process for the capture of collective data, interfacing where appropriate with the Council's devolved site systems containing financial data.

g) To maximise the cost effectiveness of services provided and received, interfacing where appropriate with the Council's suppliers and partners.

h) To identify and meet financial reporting requirements across the Council for strategic, corporate, legislative, performance and management purposes.

## Implications

42. Implications of this project are detailed below:

a) **Financial**

The full financial implications of the report are discussed in Confidential Annex A. However, the differences in cost between the two systems is marginal and within the IT development plan budget of £214,470 awarded to the project. The staffing costs of implementation is also fully funded by a £300k budget held by finance and is reported on as part of the monitoring cycle.

b) **Human Resources (HR)**

There are no HR Implications as a result of the replacement of FMS, however any Business Process Re-organisation we are able to carry out, may result in some changes to ways of working.

c) **Equalities**

There are no Equalities implications as a result of the successful conclusion of the project.

d) **Legal**

This procurement is being carried out under the EU Procurement Rules. We are taking expert advice from the Corporate Procurement Team throughout the process, to ensure there are no implications as a result of this process.

Legal implications with the contract will be considered by the Procurement Team and by the Council's Legal Team prior to any agreement being signed.

e) **Crime and Disorder**

There are no crime and disorder implications as a result of this project.

f) **Information Technology (IT)**

IT are fully involved in the project, with representatives on the Project Board and the Project Team. IT requirements and standards have been considered and will continue to be reviewed to ensure the new system will run on the Council's IT Infrastructure. This should minimise the potential implications of the replacement of the current system.

Implications of an error are additional spending on hardware, software and training, should the Council's Infrastructure and Support be unable to run the new system without upgrades (beyond those to be included as part of the project).

g) **Property**

There are no property issues with the acquisition of the new FMS as its operation will be site independent.

h) **Other**

There are no other known implications.

## Risk Management

43. Risks and Issues are being recorded in the corporate Risk management System, called Magique. The Project Board monitors the project issues and project risks and seeks options to mitigate any of these.

## Recommendations

44. That the Advisory Panel advise the Executive Member:

45. To agree with the Project Board to select Civica UK Limited as the Council's preferred supplier for the replacement financial management system.

46. Reason: This needs to be done to ensure full business continuity and to facilitate improvements in the way we work as a Council as set out in the Corporate Priorities.

**Contact Details**


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**Specialist Implications Officer(s)**  List information for all
Implication ie Financial                 Implication ie Legal
Name                                     Name
Title                                    Title
Tel No.                                  Tel No.


**Wards Affected:**  List wards or tick box to indicate all          **All**  | tick |


**For further information please contact the author of the report**

**Background Papers:**

2004/2005 Bid entitled Financial Management System Replacement in the IT&T
DEVELOPMENT PLAN 2004/5 - ITT Reference 04RE10.

**Annexes**
Confidential Annex A – Financial Analysis
Annex B – Project Scope