

<b>Classification:</b> Open	<b>Decision Type:</b> Key
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<b>Report to:</b>	Cabinet	<b>Date:</b> 25 September 2024
<b>Subject:</b>	Unit 4 Contract	
<b>Report of</b>	Cabinet Member for Finance and Transformation	

### Summary

1. The Council's current Enterprise Resource Planning (ERP) Financial Management system is supplied by Unit 4 (formerly Agresso Business World Software). The initial contract was signed back in 2004 and implemented for use by the Council from April 2006 onwards.
2. In October 2023, Unit 4 wrote to inform all customers of their strategic decision to provide only a SaaS (Software as a Service) solution with effect from 1 January 2025. Additionally, existing on-premises solutions will only remain fully supported by Unit 4 until 31 December 2024, unless the Council informs Unit 4 by 31 December 2024 of their intention to move to the Cloud, in which case a 2-year grace period will be given to enable the Council to transition to the Cloud, subject to the Council renewing their existing contract before 31 December 2024.
3. Following initial discussions with the Unit 4 Account Manager on the options available to the Council and future pricing, it was decided to undertake an 'Optimisation Review' of the current system, this required bringing on-board a strategic partner to provide consultancy support to undertake the 'Optimisation Review'.
4. The move to a new cloud-based Unit 4 ERP Financial Management System is a key part of the Council's transformation and improvement journey, building on improvements already made through the adoption of Let's do it principles and implementation of the digital strategy, including the roll-out of Microsoft 365 council wide, the upgrade of I-Trent and rationalisation of applications and migration. Some of the anticipated benefits of the Unit 4 upgrade are outlined in the report and will both directly support and enable the transformation of the finance service as well as providing much more efficient and effective ways of working for the council as a whole, with the detailed business case in the process of being completed.

### Recommendation(s)

5. Cabinet is asked to:
  - Approve the direct award of a contract to Unit 4 through the Crown Commercial Services (CCS) G-Cloud 13 framework for the continued use of the Unit 4 Enterprise Resource Planning (ERP) Financial Management

System for a period of three years from 1<sup>st</sup> January 2025 with the option to extend for a further period of one year at the discretion of the Council.

- Delegate finalisation of the terms of the direct award including any clarifications to the Director of Law and Democratic Services in consultation with the Director of Finance and the Cabinet Member for Finance and Transformation.

### **Reasons for recommendation(s)**

6. The Council has a legal obligation to have in place a financial management system to ensure that appropriate accounting records, management accounting functions and financial controls are in place so that finances are kept under review on a regular basis.

### **Alternative options considered and rejected**

7. Alternative options were considered but rejected as follows:
  - The 'do nothing' option, is not an option due to Unit 4 not supporting the current on-premises solution from 1 January 2025.
  - The implementation of a new Financial Management System was rejected on the basis that the time & cost to undertake a full tender process, appoint a strategic partner, the internal resources required to implement a new financial system, along with the risks & potential cost overruns involved with implementing a new Financial Management System as experienced by other Local Authorities, outweigh the option of renewing & improving the existing Financial Management System,.

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### **Report Author and Contact Details:**

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*Department: Corporate Core Services*

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### **Background**

8. The Council has a legal obligation to have in place a financial management system to ensure that appropriate accounting records, management accounting functions and financial controls are in place so that finances are kept under review on a regular basis.
9. The Accounts and Audit Regulation requires that:
  - a) The accounting records of the authority are kept up to date and contain:
    - (i) entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and

- (ii) a record of the assets and liabilities of the authority.
- b) Financial controls measures are in operation:
  - (i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable.
  - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
  - (iii) to ensure that risk is appropriately managed.
- 10. In October 2023, Unit 4 wrote to inform all customers of their strategic decision to provide only a SaaS (Software as a Service) solution with effect from 1 January 2025. This means that all customers of Unit 4 will be required to move from an on-premises solution i.e. that is currently held on the Council's servers and IT infrastructure to being held in a Unit 4 cloud-based solution.
- 11. Additionally, existing on-premises solutions will only remain fully supported by Unit 4 until 31 December 2024, unless the Council informs Unit 4 by 31 December 2024 of their intention to move to the Cloud, in which case a 2-year grace period will be given to enable the Council to transition to the Cloud, subject to the Council renewing their existing contract before 31 December 2024.
- 12. Following initial discussions with the Unit 4 Account Manager on the options available to the Council and future pricing, it was decided to undertake an 'Optimisation Review' of the current system, but due to the capacity, resource & skills required to undertake such an exercise a strategic partner was appointed to provide consultancy support to undertake the review. Using the G-Cloud framework DWilde Consulting Limited were awarded the contract to undertake the 'Optimisation Review', findings report and the development of a roadmap for the Unit 4 ERP Cloud migration.
- 13. Whilst the Strategic Partner primary objective of the 'Optimisation Review' was to set out the requirements for a new cloud-based Unit 4 ERP Financial Management System. The scope also covered the identification of improvement and transformation opportunities through moving to the cloud that could unlock efficiencies across the finance service and the wider Council.
- 14. The assessment undertaken for the 'Optimisation Review' included the following components:
  - An organisational and service assessment, assessing the current service delivery model and the organisational structure and service performance.
  - A high-level assessment of commissioning and procurement to assess its current position and understand areas for improvement.
  - Financial assessment based upon the engagement and discovery workshops and meetings with the staff and service to understand ways of working operational processes and opportunities for improvement.
  - Technical assessment, following the readiness assessment undertaken by Unit4 to identify the gaps and future requirements for a cloud-based unit for ERP financial management system.

15. The Strategic Partner identified many specific technical observations recommendations and improvements in their report, but the following are a high-level summary of the key recommendations:

- **Technical Enhancements:**

- Migrate to Unit4 Cloud ERP, ensuring all necessary integrations and customisations are in place.
- Fully utilise the functionalities of the Unit4 ERP system, including modules for commitment accounting, contract management, and workflow enhancements.
- Implement robust data governance policies and role-based access controls.
- Develop comprehensive end-user and system administration documentation and training materials.

- **Organisational Changes:**

- Restructure the finance service to create distinct strategic, operational, and business partnering roles that clarify responsibilities and create clear career development routes.
- Strengthen the overall management capacity to support financial and wider cross-council transformation.
- Invest in training and professional development to build a skilled and agile workforce.
- Consolidate Debt Management to harmonise processes and management risk.

- **Process Redesign:**

- Improve ways of working through the utilisation of the new Unit4 ERP functionalities
- Standardise and streamline workflows, especially for journal entries, budget setting, and financial reporting.
- Fully document processes and ways of working to ensure standardisation, financial resilience and clear auditable trails
- Automate financial processes such as purchase-to-pay (P2P) and order-to-cash (O2C) to reduce manual intervention.

- **Governance, Reporting and Compliance:**

- Implement a new Chart of Accounts to fully optimise the functionalities of the Unit4 ERP
- Establish a Financial Governance Board to oversee financial management and ensure compliance with statutory requirements.
- Produce real-time, on-system reports to ensure consistency and accessibility of financial data.
- Upgrade all reports to meet mandatory standards and enhance their usability for different stakeholders.
- Regularly review and update financial policies and procedures.

- **Self-Service and Automation:**

- Implement self-service tools and portals for employees and department heads to access financial data independently.

- Explore robotic process automation (RPA) and artificial intelligence (AI) to further enhance efficiency.
  - **Data Quality and Management**
    - Enforce data quality controls across all financial transactions and reporting streams.
    - Use advanced tools for data anonymisation and transformation to ensure accuracy and compliance with GDPR.
16. Implementing these recommendations would involve streamlining financial processes, implementing new ways of working, improving financial reporting, enhancing budgeting and forecasting capabilities, and increasing financial transparency and accountability. Through process automation, implementing Unit4 Financial Planning & Analysis module and employee and supplier self-service, whilst strengthening governance & internal controls and achieving compliance with audit recommendations & regulatory standards.
  17. The Strategic Partner report assessed the limitations of the existing Unit 4 ERP Financial Management System, which is nearing the end of its life, identified substantial opportunities for improvements and financial transformation and provided a roadmap for implementing a new Unit4 ERP Finance Management System over the next 18-24 months.
  18. A final piece of work is currently being undertaken by the Strategic Partner to develop the Strategic Outline Business Case (SOBC) into a detailed Business Case supported by an implementation plan which will enable the Council to progress to implementation of the Finance Transformation Programme and outlining the cost/benefits.
  19. A report summarising the Business Case will be brought to November Cabinet meeting requesting approval of the investment required to deliver the Finance Transformation Programme.

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#### **Links with the Corporate Priorities:**

*Please summarise how this links to the Let's Do It Strategy.*

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#### **Equality Impact and Considerations:**

*Please provide an explanation of the outcome(s) of an initial or full EIA and make **specific reference regarding the protected characteristic of Looked After Children**. Intranet link to EIA documents is [here](#).*

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#### **Environmental Impact and Considerations:**

Please provide an explanation of the Environmental impact of this decision. Please include the impact on both **Carbon emissions** (contact [climate@bury.gov.uk](mailto:climate@bury.gov.uk) for advice) and **Biodiversity** (contact [c.m.wilkinson@bury.gov.uk](mailto:c.m.wilkinson@bury.gov.uk) for advice)

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### Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation

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### Legal Implications:

*To be completed by the Council's Monitoring Officer.*

23. The Crown Commercial Services (CCS) G-Cloud 13 Framework is an online catalogue where public sector customers can buy cloud-based computing services such as hosting, software and cloud support. The framework allows access to a range of contractors which have already undergone a competitive process in respect of both price and quality.
24. Direct award is permissible in this case under the exemption provided in Regulation 32 (5) (b) of the Public Contracts Regulations 2015. This applies where the supply of additional services or systems by the original supplier is a partial replacement or extension of existing services or systems, and a change of supplier would result in the Council suffering incompatibility or disproportionate technical difficulties in operation and maintenance.
25. The Framework provides that all call-off contracts awarded through the framework will be for an initial period of up to 36 months, with the option to extend by up to 12 months. The Council must therefore reserve the right to extend in the initial terms of the contract, whilst noting that under Regulation 32 (6) its exercise is only available in exceptional circumstances
26. It is acknowledged that this Report recommends delegation of the finalisation of the terms of the Contract including any clarifications. The form of call-off contract used will be determined by the terms of the Framework.

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### Financial Implications:

*To be completed by the Council's Section 151 Officer.*

27. The financial implications are set out in Part B of the agenda which is deemed to be exempt from publication.

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### Appendices:

*Please list any appended documents.*

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**Background papers:**

*Please list any background documents to this report and include a hyperlink where possible.*

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning