

Decision maker:	Cabinet member finance and corporate services
Decision date:	Friday, 17 January 2020
Title of report:	Approval of continuation of annual rolling maintenance contract for Business World system
Report by:	Head of corporate finance

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

To approve the continued maintenance of the Business World enterprise resource planning (ERP) information IT system.

The ERP IT system records, processes and documents all relevant information in relation to the general ledger, payroll, debtor and creditor records.

The current decision approval to maintain the system expires on 31 March 2020, this report recommends that the current arrangements continue for a further period of up to ten years.

The continued current arrangement is recommended because the ERP IT system has been substantially be-spoken to provide the IT support service required and Unit 4 are the only available current system maintenance provider to ensure the continued maintenance and support

service the system requires to remain fit for purpose.

Recommendation(s)

That:

- (a) The annual rolling maintenance contract for the Business World ERP IT system continues with Unit 4 for a further ten year period, under Regulation 32 of the Public Contract Regulations 2015. The total annual maintenance and support cost is £114k.**

Alternative options

1. To not continue to maintain the ERP IT system is not recommended. The system has a high volume of daily access and needs to be recording, maintaining, calculating and providing accurate immediate compliant financial and human resources (HR) data. To ensure this is maintained, and key IT system failure is avoided, regular and frequent IT support and maintenance is required.
2. To not maintain the current system and replace the IT system. This is not recommended due to the high level of cost and disruption this would cause. The current system has been put in place at substantial cost, it receives continuous improvements to ensure it meets the evolving needs of the business and the continued annual maintenance cost is within the council's existing budget.

Key considerations

3. The Business World (previously referred to as Agresso) ERP IT system went live in 2011 following a competitive tender process to rationalise the predecessor IT support systems. The system provides an integrated back office system for HR, payroll, finance, procurement and asset management. ERP is defined as the ability to deliver an integrated suite of business applications sharing a common process and data model covering broad and deep operational end-to-end processes. Since implementation the council has invested a significant amount of time and resource in ensuring the complex data that the system processes is accurately presented.
4. There are three other ERP system providers that could replace the existing system in the marketplace. A system change is not recommended due to the current system meeting the council's requirements and the prohibitive cost of migration, conversion and disruption. This hasn't been specifically costed however the original installation of Business World was in excess of £2.5m, officer and consultant time would be in addition to this and would take in excess of one year to implement following a competitive procurement process. All statutory financial and human resources are being met. There is an established roadmap of the deployment of system benefits in place, the business world support team attend regular seminars and updates to ensure the system continues to be best in class and fit for purpose. If a business case for change arises then this will be fully investigated and a further decision report will be triggered.
5. Maintenance of the system includes all software maintenance, compliance, support and assistance. A ten year period has been recommended to reflect the be-spoked nature of the current IT solution and the continued investment in developing the system requirements to meet all business needs. During this time however if a business case for

change is approved then the annual break clause may be triggered. The available solution options are and will continue to be regularly monitored.

6. Annual maintenance and support costs have been incurred since go live and will continue to be incurred during the system use period to ensure the system does not become unstable. Business World is an integral IT system that if not suitably maintained would result in potentially serious negative impacts on service delivery.
7. The on-site IT support service for Business World is provided by Hoople Ltd through an annual service level agreement. Hoople Ltd manages a suite of IT applications including Business World (BW). Applications are maintained by Hoople Ltd by including the latest available vendor patches released to resolve security related problems and any stability, performance related patches will also be deployed (subject to appropriate testing and recommendations completed by Hoople Ltd).
8. The current approvals consist of a perpetual BW licence plus a yearly maintenance and software support contract. It is recommended that this maintenance and software support contract continues for a period of up to ten years. This is capable of termination on an annual basis. The maintenance and support contract can only be provided by one supplier. Value for money for this contract is reviewed by the BW team by comparing similar provision to the alternative ERP system providers. In addition the BW support team play a key role in system development and roll out, minimising the call on external support.
9. The business world support team access a user group where free of charge training and demonstrations are provided. The team do carry out a re-negotiation on annual renewal and historically products have been streamlined meaning that the recommendation is to continue with the essential successful business operation. The team also play an active role on the applications management board that tests the systems direction and other pricing, they also continuously review Gartner and the market including the evolution of the new and upcoming opportunities and products.
10. The contract contains provisions to require the Contractor to assist the council with its Best Value Obligations. This is supported by benchmarking the service and keeping up with technical developments. The BW support team hold steering groups with key system users to establish and deliver a roadmap on continued system development. Contract support package price increases are limited to average earnings index (AEI). The BW support team supports other system users which provides a potential to the Council of benefits of economies of scale and further opportunities to discover and deliver additional system development.
11. There are established partners within the business world group therefore its continued maintenance supports the continuance of those arrangements and associated economies of scale.
12. The council has a duty to secure best value in the delivery of all of its functions and services. As part of a commissioning cycle, the council must assess whether contracted services should be re-procured through a competitive tendering process. In this instance the report proposes that, taking account of the costs of moving to a different system and the service standards provided by the current contractor, continuing with the support and maintenance package with Unit 4, on the terms outlined in this report, does represent a best value solution for the council.

Community impact

13. If the maintained Business World IT system is not available to council staff it would adversely affect services provided to the residents of Herefordshire, with the council not being able to fulfil its statutory obligations in paying suppliers, HMRC and staff correctly and on time which could result in serious fines and penalties being incurred.
14. The recommended approach seeks to maintain the standard of service expected cost effectively, supporting achievement of the corporate plan priority to secure better services, quality of life and value for money.

Equality duty

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

17. The annual system maintenance and support cost is £114k, £95k for software licences and £19k for support and assistance. This report approves the continued payment of this budgeted cost with annual contractual inflationary uplifts (in line with AEI) for the next ten years. In addition the service received will be consistently reviewed and challenged to ensure it remains fit for purpose and delivers value for money.

Legal implications

18. The council procured the Business World system in 2011 and since that date also has purchased a support and maintenance package specific to the Business World system from Unit 4.
19. This decision supports the continuation of a support and maintenance package for the Business World system for the period 1 April 2020 to 31 March 2030. The cost of the support and maintenance for a period of 10 years is in the region of £1.1m, the support and maintenance can only be provided by the supplier of the Business World system, Unit 4.

20. Regulation 32 of the Public Contract Regulations 2015 allows contracting authorities in specific cases and circumstances to award public contracts by negotiated procedure without advertising the opportunity.
21. Regulation 32(2)(b)(ii) provides that the negotiated procedure without prior publication can be used where the services required can be supplied only by a particular economic operator and competition is absent for technical reasons.
22. On the basis that the Business World system requires specific technical support, this report recommends continuing existing arrangement with the only supplier that can provide support and maintenance, Unit 4; giving grounds to award a contract under Regulation 32(2)(b)(ii).

Risk management

23. The continued maintenance of the existing system will ensure that it runs as expected and minimises the risk of failure or error. Should the recommendation not be approved the risk increases significantly as the Business World ERP IT system could become unreliable leading to the council potentially being unable to carry out some statutory and core financial functions.

Consultees

24. None

Appendices

None

Background papers

None identified