



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Please ensure all sections below are completed

Report reference number: 019 - 23

Government security classification: Official Sensitive (commercially sensitive)

Title of report: Procurement of a New Finance System

Area of county / stakeholders affected: Service-wide

Report by: Georgie Morris, Assistant Director of Finance

Date of report: 1 June 2023

Enquiries to: Neil Cross, Chief Financial Officer

1. Purpose of the report

The purpose of the report is to seek approval for the awarding of a contract for the implementation of a new finance system to Unit4 Business Software Limited.

2. Recommendations

The Commissioner is asked to:

- Approve the attached contract for the new finance system with Unit4 Business Software Limited. The contract is being compliantly awarded through the London Procurement Partnership Information Management & Technology (IM&T) framework Lot 4.2 Finance Software "LPP Framework".

The contract is for an initial term of four years however, should the circumstances require, the contract can be extended on a rolling annual basis beyond this up to a maximum term of 10 years unless terminated by either party. The Authority can terminate from year 5 by providing 6 months' written notice, upon which termination will be effective at the end of the recurring term (falling on 30th June each year). Unit4 can terminate the contract from year 5 by providing the Authority with 18 months' written notice, whereupon again termination will be effective at the end of the recurring term (falling on the 30th June each year).

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[REDACTED]

The Innovation and Transformation Earmarked Reserve will fund [REDACTED] for the implementation fees and the first year's license fee. The residual funding arrangements are set out in section 8 below.

The total costs of the contract with Unit4 over a 10 year period is £1,158,167, which comprises of:

[REDACTED]

The annual cost of the contract rises by CPI after year 4, and our calculations have assumed a 2% inflationary uplift for these years based on the government's current inflationary target.

The award of this contract will result in the Authority cancelling three legacy contracts relating to its finance systems, with a savings value of [REDACTED] over the ten years.

- To note that additional costs on the project total £392,000 which relate to:
 - £80,000 one-off costs expected due to API connections to other internal systems.
 - £312,000 for additional resources for project management, Finance and ICT to assist with the implementation of the system.

- [REDACTED]
- Note that the Authority is reviewing whether the implementation costs can be capitalised and spread over the initial four-year term. This will be reviewed with our auditors and an update will be provided to the Commissioner through the Performance and Resources Board once an outcome is determined.
 - Note that the implementation of the new financial system will ensure that the Authority has arrangements for the proper administration of their financial affairs, which is a statutory duty of the Section 151 Officer under the Local Government Act 1972.
 - Provide authorisation for the Chief Financial Officer to approve the purchases order in our finance system for the implementation costs and license costs for Year 1.

3. Benefits of the proposal

The benefits of the proposal include:

- Ensuring that the Authority has a financial system that is fully supported and able accurately to capture and report on the financial position of the Authority.
- The expectation that significant productivity and efficiency savings will be made by moving to a more modern software as a service (SaaS) based application, particularly around

transactional processing, including but not limited to the Procure to Pay (“P2P”) process such as time to process invoices, payment runs, and bank reconciliations.

- Integration with the existing Tranman (Fleet management) and Concerto (Property and estates management) systems. Reductions in manual interventions and processes will improve productivity and efficiency across departments and improve the quality of data.
- Enabling the Authority to move to a cloud-based solution versus the current remote desktop applications. This will allow the use of mobile apps and gives greater access for employees. This supports the Digital and Data (“D&D”) strategy of moving all software to the cloud and away from being on premise.
- Productivity and efficiency savings through a proper stock management system that can support departments such as Stores and Fleet Workshops.
- Improved budget monitoring, with the possibility to include budget management into the core solution as opposed to the current manual process. This will further streamline the process for budget holders and finance.
- Introduction of a modern expense system, which will utilise mobile apps, to capture, manage and authorise expenses. This will increase productivity and create significant efficiencies across multiple departments. The technology will also allow greater access for employees and provide a user-friendly simpler process for all personnel who are being reimbursed for expenses.
- By adopting the short-term solution, it allows ECFRS to align its future procurement timescales to that of Essex Police, allowing for the exploration of a collaborative approach for procurement of a full ERP system to include Payroll and HR.
- Fewer suppliers to manage the same solutions. There are currently three separate contracts which cover the Authorities financial accounting activities and reporting. This will be replaced by the single Unit4 ERP offering.

4. Background and proposal

The current financial accounting system called Coda Dream and provided by Unit4, was implemented in April 2009. In June 2022, the Authority was informed by the supplier that support for the product (which is no longer on the market) will be withdrawn on 31st December 2023. The risks to the Authority of having an unsupported finance solution are deemed too great to warrant a “do nothing” approach and therefore the Authority requires a replacement of the current financial accounting system.



This product itself is over 25 years old and has not been developed for some time, except for meeting legislative requirements. As a result, it does not offer the latest technology and processing capabilities that newer, cloud-based solutions provide as standard. It is an inhouse

legacy system and was due to be replaced by a cloud-based system in line with the Authority's Digital & Data strategy to move all server-based systems to a cloud-based solution to improve accessibility and reduce the threat of attack on in-house servers. The announcement by Unit4 of the withdrawal of support for the product has accelerated the timings for this change.

A Prior Information Notice (PIN) process has been undertaken. This enabled the Authority to view six different finance systems, to gain knowledge of the types of systems available and the processes that these financial systems offer. The Authority is clear that, based on the number of available systems and the overall standard of the market, it can exclude having a bespoke and customised system.

A new financial system is expected to deliver the following functionality:

- Core finance – General ledger, financial / management accounts, accounts receivable and payable, chart of accounts, financial accounts and project tracking and reporting.
- Budget forecasting and monitoring.
- Purchase Order Processing (POP) – including requisition and purchase order creation, amendment, cancellation, approval workflow, transmission to suppliers and receipting of goods and services.
- E-invoicing – Transmission of orders / invoices plus control of order adjustment to rectify mismatching issues where appropriate.
- Document management – Version controls of orders, copies of contracts / quotations, receipts and invoices.
- Stock and inventory control system.
- Standard integration method for data capture and transfer where required and accessible across different ECFRS access points.
- Integration with Microsoft 365 suite of applications and services.
- Tax, including VAT.
- API capabilities.
- Integration with existing software including, but not limited to, Tranma, Concerto, and Power BI.

For the reasons stated in decision report 058-22, the Authority researched routes to market. Due to the time available to procure and implement a new finance system, Procurement researched the options available which would ensure a flexible procurement to allow an exit strategy for an expected collaboration procurement of an ERP solution. It was foreseen that a maximum 10-year agreement that would allow for termination of convenience would allow sufficient time to run a tender process in the future either with Essex Police or on our own.

Viable frameworks were researched to meet our requirements, including but not limited to a contract term of up to 10 years with options to terminate and a solution that can be implemented before our deadline. Additionally, it was identified that the Authority did not wish to procure via a third party re-seller because we form direct relationships with our key suppliers to ensure quality service delivery, effective relationship management and service level monitoring. The direct award route via the London Procurement Partnership Information Management & Technology (IM&T) framework Lot 4.2 Finance Software was identified. A direct award route was sought to provide flexibility for the expected collaboration for an ERP replacement and also to prevent additional time being required from Procurement and all associated parties to evaluate an open tender with the expectation of replacement in short order. There was also not sufficient time to run a full open tender and implement a new system in the timescales available.

Unit4 was selected from the framework as the chosen supplier as it had published the most economically advantageous pricing that met all the functionality requirements of the Authority.

5. Alternative options considered and rejected

Option One – “Do Nothing”

Under this option, the Authority would continue to use the existing system which Unit4 has notified the Authority it will not be supporting effective from 31 December 2023. This would be extremely high risk as the Authority would then be using an unsupported and obsolete product for its production of financial information. It would also mean that any further legislative updates would not be provided. It would also not support the wider Authority strategies and vision as outlined in section 6 below.

Option Two – Procure via an alternative framework

Procurement researched alternative frameworks, but these were discounted for the following reasons:

- Contract period - The LPP framework allows a contract term of up to 10 years. Procurement via the G-Cloud would only permit a four-year contract term.
- A direct award route was sought to provide flexibility for the expected collaboration for an ERP replacement.
- LPP allows direct supply from the software creator.

Option Three – Run a full, new tender to the open market

The Authority assessed all appropriate routes to market and considered running its own open tender process upon first notification by Unit4 of the termination of support. Work was carried out to assist with planning and a pre-market engagement exercise was run to allow key stakeholders to understand the current products on the market and update our knowledge.

Following the change in strategy to align with Essex Police timelines to look to procure a joint ERP system in future, alternative procurement options were researched that allowed for termination for convenience after an initial term of four years but also allowed the flexibility to extend as required, up to a maximum period of 10 years.

Due to the deadline placed upon the Authority by Unit4 withdrawing support for the existing system, if the Authority did not utilise a framework, there would not be enough time to run a fully compliant open tender process. As detailed elsewhere within this paper, this is not an option due to the risk associated with having a finance system with no support.

6. Strategic priorities

The procurement of a new finance system will support the strategic priority of our Fire and Rescue Plan 2019-2024 to make best use of our resources, and help to meet our commitments to:

- "... improve the safety of the people of Essex by making best use of our resources and ensuring value for money."
- "Plan the deployment of resources based on strategic priorities, evidenced need, articulated benefits and measurable outcomes."
- "Use innovative technology and business processes to improve service efficiency."

The procurement will also support the priorities of the Digital and Data strategy which looks to move all on premise software solutions to a SaaS cloud-based solution by 31 March 2024.

The alignment of the timelines with Essex Police will also provide the future opportunity to explore collaboration with EP on the procurement of an ERP system. Such collaboration would present a further opportunity to deliver the above strategies.

7. Operational implications

The new finance system will bring about improvements in the following operational areas:

- The process and approval of orders through an automated workflow-based process accessible via mobile devices or browser applications. This will eliminate the need for all relevant staff, but especially those out on stations having to log on via RDS to access Dream to approve, receipt and request orders.
- Improvements in supplier relations due to a reduction in delays to processing payments.
- Management of inventory and stock to a more efficient level. This is expected to have a positive effect on costs in the short term as well as longer term savings through more effective stock management.

Training of related operational staff will need to be factored into the implementation plan.

The expense module utilises mobile applications allowing for ease of access for all employees when completing and authorising expense claims. It is expected that significant efficiency and productivity gains will be made across multiple departments and particularly those out at stations or in the field. Engagement with all stakeholders across the Service will ensure that all requirements are factored into the build of the new system and processes.

8. Financial implications

This proposal is for approval for the awarding of a contract for the implementation of a new finance system to Unit 4.

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In addition to the costs of the Unit4 contract, the following costs are expected in regard to the implementation of the new finance system.

- £80,000 one-off costs expected due to API connections to other internal systems. This will be funded from the Innovation and Transformation earmarked reserve.
- £312,000 for additional resources for project management, ICT, and two roles in Finance to assist with the implementation of the system.
- One of the Finance resources will assist the Transactions team during the course of the implementation on a temporary fixed term contract to last for 18 months. This is at a cost of £54,000 and will be funded from the Covid Grant.
- The other three posts will be funded with £47,000 from the Covid Grant and remaining £291,000 from the Innovation and Transformation earmarked reserve. It should be noted that the Project Manager role is already in post following sign-off in accordance with decision report 058-22.

The Authority is reviewing whether the implementation costs can be capitalised and spread over the initial four-year period. This will be reviewed with our auditors and an update will be provided to the Commissioner through the Performance and Resources Board once an outcome is determined.

9. Legal implications

The procurement process is a direct award against the London Procurement Partnership Information Management & Technology (IM&T) framework. The contract is provided by the framework owner, but it has been confirmed that the users of the framework are able to negotiate on all terms and conditions (including the schedules) as long as these are agreeable to both parties. Unit4 have proposed amendments to the contract terms which have been reviewed internally by all relevant stakeholders and with our legal advisors Capsticks. Capsticks have provided a contract report, appended to this document, outlining the key points in the contract.

The procurement process has been carried out pursuant to the Public Contract Regulations 2015, under which a direct award under a framework is a compliant route to market. The Authority has

chosen the London Procurement Partnership (LPP Framework) due to the ability to award a contract up a maximum term of 10 years and being able to award to the software creator rather than a third party which are key requirements for this procurement.

A contract award notice will be published which will inform the market, and those who participated in the pre-market engagement, of the award to Uni 4 under the “LPP Framework”.

Ensuring that the Service has a functioning finance system will ensure that Authority has arrangements for the proper administration of their financial affairs, which is a statutory duty of the Section 151 Officer under the Local Government Act 1972.

10. Staffing implications

The project will directly impact the day-to-day working practices of the Finance, Procurement and Stores teams. A new system will also impact other stakeholders within the organisation which include:

- All staff who engage in the purchasing process (e.g. raising and approving purchase orders, and goods receipting)
- Users of financial information
- ICT
- All staff who engage in the reclaiming and approval of expenses.

Various stakeholders have been included as part of the PIN process and subsequent demonstrations from Unit4. A cross section of stakeholders will be involved as part of the governance arrangements that will be put in place for the project.

11. Equality and Diversity implications

The actions being taken will not have a disproportionate impact on individuals with protected characteristics (as defined within the Equality Act 2010), when compared to all other individuals and will not disadvantage people with protected characteristics.

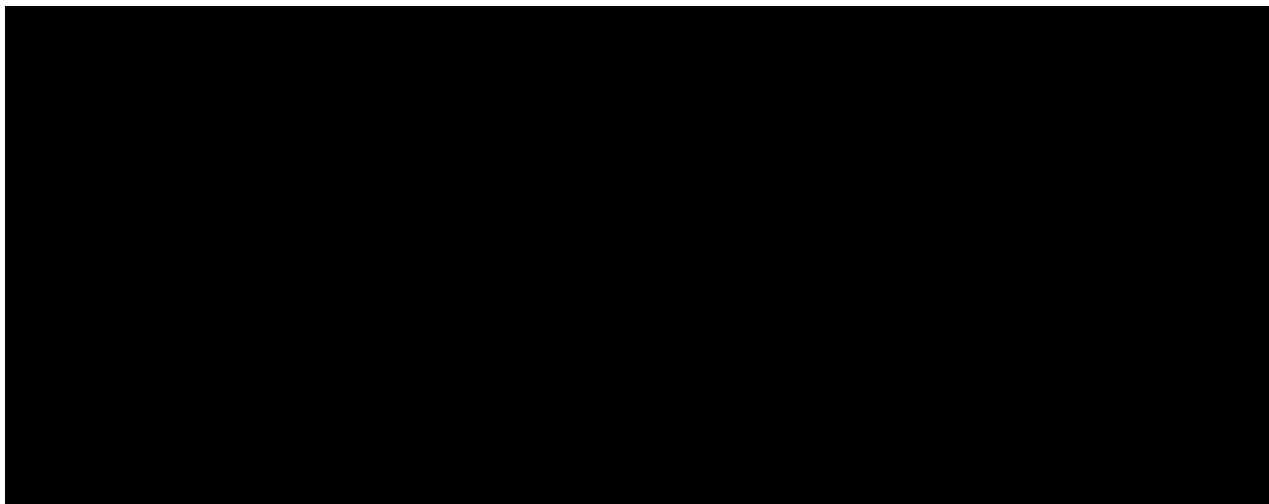
Race	N	Religion or belief	N
Sex	N	Gender reassignment	N
Age	N	Pregnancy & maternity	N
Disability	N	Marriage and Civil Partnership	N
Sexual orientation	N		

A full People Impact Assessment was completed on 23rd January 2023.

The Core Code of Ethics Fire Standard has been fully considered and incorporated into the proposals outlined in this paper.

12. Risks

Given the existing supplier has withdrawn its support for the Finance System, there is a now a time bound deadline in place to have a new system implemented by 31 December 2023. It is therefore important that the procurement progresses at pace to ensure sufficient time for a new system to be implemented by the due date.



The contract implementation costs are estimated on a time and materials basis and the estimated total cost of these, amounting to £201,150, is based on conversations between Unit4 and various stakeholders of the project around user requirements, along with Unit4's experience of implementing the system with other fire and rescue authorities and customers of similar size and make up. Changes in the requirements or delays in the project could result in increased implementation costs. The Authority has reviewed the high-level implementation plan along with the resource requirements and put various mitigations in place to minimise this risk. These include but are not limited to:

- Assignment of a full-time project manager to continually monitor the progress of project against the plan and ensure both internal and external resources are on track.
- [REDACTED]
- The proposed resource requirements as requested in this paper will support delivery of the project on time.

13. Governance Boards

The project brief has been presented and approved by the Portfolio Management Board on 8 November 2022.

The PID was presented and approved by the Portfolio Management Board on 23rd February 2023.

14. Background papers

PFCC FRA decision sheet 058-22
Regulation 84 Report Recommendation Report v.2
22.03.23_Advice Note_updated 30.03.23_clean copy.pdf
Response to Capsticks Report on the Unit 4 Contract


Decision Process 19-23

Step 1A - Chief Fire Officer Comments

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

.....I support the recommendation.....

.....

Sign:  Date:2/6/23.....

Step 1B – Consultation with representative bodies

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

.....N/A.....

Step 2 - Statutory Officer Review

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority’s (“the Commissioner’s”) Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer Sign: 

Print: P. Brent-Isherwood

Date: 2 June 2023

Chief Finance Officer Sign: 

Print:Neil Cross.....

Date: . 2/6/2023

Step 3 - Publication

Is the report for publication? **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

Subject to redaction as detailed below

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

Step 4 - Redaction

If the report is for publication, is redaction required:

- 1 Of Decision Sheet YES
- 2 Of Appendix YES

If 'YES', please provide details of required redaction:

Paragraphs in this document highlighted in yellow are to be redacted ahead of publishing. The financial costs tables in Section 8 are to be redacted. Capsticks' legal reports and supporting response from the service are not to be published as these are legally privileged and confidential. They may not be shared, disclosed to or relied upon by any other person without Capsticks' express consent. The contract and contract schedules between Unit4 and the Authority are not to be published. The Regulation 84 Report is not to be published.

Date redaction carried out:

If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign:  Print: Neil Cross.....

Date signed: 26/07/2023.....

Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner

I agree the recommendations to this report:

Sign:  (PFCC / DPFCC)

Print: R.C. Hirst Date signed: 8 June 2023

~~I do not agree the recommendations to this report:~~

~~Sign: (PFCC / DPFCC)~~

~~Print: Date signed:~~