

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive Member for Policy and Resources for Decision

<b>Portfolio:</b>	<b>Policy and Resources</b>
<b>Subject:</b>	Finance System Tender
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report considers the tenders received for a new finance system for Fareham Borough Council and recommends an award of contract to the winning tenderer.

#### **Executive Summary:**

The Council's current finance system, Advanced eFinancials, is one of the Council's fundamental corporate systems and was first implemented in 1994. It is used across all Council services for purchasing and income collection activities as well as budget monitoring and for the production of the Council's accounts.

The system's functionality is generally outdated and ineffective compared to modern IT systems and a lot of the Council's finance processes are paper-based and time consuming with duplication of effort and scope for human error.

The system runs on an Oracle platform hosted inhouse by the ICT service. The ICT strategy is to move to SQL Server based databases and systems wherever possible as they can be better supported by ICT, or Cloud SaaS (Software as a Service) systems where the support is provided by the vendor.

A project team has therefore been carrying out soft market testing of what other functionality and systems are available. A considerable amount of work has also been carried out to capture what is important to the organisation and its customers in relation to the financial processes being used. This has led to the Council running a procurement tender for a new finance system.

An OJEU Open Tender Procedure in accordance with the Public Contracts Regulations 2015 was used for this tender.

This report provides the Executive Member with information regarding the tenders received and seeks an award of contract for 5-years with the option to extend for a further 5 years.

**Recommendation:**

It is recommended to award the contract to the winning tenderer, as set out in the confidential appendix A, subject to the agreement of terms and conditions.

**Reason:**

To procure a modern, user-friendly financial management system with efficient workflows, dashboards and flexible functionality tailored to users' and customer's needs.

**Cost of Proposals:**

The cost of the new finance system under the proposed contract is set out in the confidential appendix A. It is to be funded from the ICT Capital Development Programme and there will be a need to increase revenue budgets.

**Appendix:**

**A:** Tender Prices and Evaluation Scores (*Exempt By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*)

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## BOROUGH COUNCIL

### Executive Member Briefing Paper

<b>Date:</b>	21 December 2020
<b>Subject:</b>	Finance System Tender
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. The Council's current finance system, Advanced eFinancials, is one of the Council's fundamental corporate systems and was first implemented in 1994.
2. It comprises the following core functionality:
  - General Ledger
  - Purchase Ordering
  - Purchase Ledger
  - Sales Ledger
3. This functionality is used across the Council for most of the core financial activity including:
  - Setting and monitoring budgets
  - Producing the Council's accounts and government returns
  - Accounting for VAT
  - Purchasing by raising orders and paying supplier invoices
  - Collecting income through raising and issuing invoices and management of any non-payments arising.
4. The system's functionality is generally outdated and ineffective compared to modern IT systems and a lot of the Council's finance processes are paper-based and time consuming with duplication of effort and scope for human error.
5. The areas in need for particular improvement are:
  - Reporting - the current reporting tool which is not integrated as part of the system has been de-supported and requires specialist skills to write replacement and new reports.
  - Budget setting and forecasting - this is done on various spreadsheets outside

of the finance system adding time and complexity to the process and a poor audit trail.

- Purchase ordering - this is cumbersome to administer with the lack of visibility of the status of orders and knowing when invoices are paid.
  - Supplier invoices - there is no centralised control of supplier invoices as they are generally sent to different departments via post or email. All invoices are eventually sent to the finance team where they have to be entered manually on the system. This potentially delays invoices being paid and could be subject to late payment fines. This also gives a poor service to suppliers as there is no central picture as to a current status of all invoices sent to the Council.
  - Debt management - the system has basic functionality with inflexible reminder letters, debt recovery and direct debit processes, which does not allow us to tailor our approach for different income streams.
6. The system runs on an Oracle platform hosted inhouse by the ICT service. The ICT strategy is to move to SQL Server based databases and systems wherever possible as they can be better supported by ICT, or Cloud SaaS (Software as a Service) systems where the support is provided by the vendor. By moving to a Cloud system, this also removes the otherwise continuing requirement to purchase hardware to host Oracle systems and licensing maintenance costs and obligations.
  7. Annual support and maintenance costs for the system including Oracle licences are £37,000 a year. System upgrades are required every 4 years costing between £20,000 to £30,000, with the next upgrade due next year. In addition, there are regular IT maintenance costs with the server due to be replaced next year at a cost of £6,000.
  8. A project team has therefore been carrying out soft market research to understand what functionality and service could be achieved with a more modern financial system.
  9. Following extensive user feedback and workshops to also understand the perfect flow for processes such as paying suppliers, raising invoices and debt management, the project team created the following vision for the new finance system:  
  
*A modern, user-friendly financial management system with efficient workflows, dashboards and flexible functionality tailored to users' needs*
  10. Although there are many improvements which should be achieved with a replacement finance system, the project team set the following key priorities to be used to evaluate potential replacement systems:

Priority	Description
Electronic invoice flow	Maximise the use of e-invoicing and automated workflows with clarity of outstanding orders, invoice status and task management.
Easy authorisation	One-click authorisation on the go and on any device.
Budgeting and forecasting	An integrated management tool to help manage budgeting, forecasting and scenario planning.
Debt management flexibility	Modern and flexible debt management and recovery functionality with the ability to prioritise debts and automate workflows, taking advantage of modern communication methods.
Integrated reporting	Management information in the form of modern dashboards and fully integrated reporting. Ability to write ad-hoc reports and to access data from the database to integrate with internal systems.
Cloud / SQL server	Preference for a fully supported Cloud based system (SaaS) with a SQL Server database.

11. The finance system is also used by Portchester Crematorium, as Fareham Borough Council is responsible for the overall financial administration of the Joint Committee. The new system will therefore also be used by them.

## TENDER PROCESS AND EVALUATION CRITERIA

12. An OJEU Open Tender Procedure in accordance with the Public Contracts Regulations 2015 was used to procure a replacement finance system. A Selection Questionnaire was issued via the e-tendering portal on 19 December 2019 with a deadline of 24 January 2020. This attracted 10 responses from which 5 were shortlisted to tender.
13. The invitation to tender was issued in March 2020 but due to the impact of the COVID-19 pandemic, the original timeline had to be revised as detailed in the table below:

Activity	Date
Dispatch of e-Invitation to Tender	2 March 2020
Deadline for clarifications/questions	27 March 2020
Close date for e-bids responses	17 April 2020 (originally 3 April 2020)
Evaluation period	September to November 2020 (originally April to June 2020)
System Demonstrations (carried out remotely)	October 2020 (originally April/May 2020)
Award of Contract	January 2021 (originally June 2020)

14. As per the tender document, the quotations received were evaluated in

accordance with the criteria listed below:

<b>Award Criteria</b>	<b>Weighting</b>
<b>Price</b> The lowest price scores the maximum marks, with the scoring reduced on a proportionate basis for the remaining tender price responses	<b>30%</b>
<b>Service/Quality</b> Split between General Ledger (5%), Budgeting and Forecasting (10%), Integrated Reporting (10%), Electronic Invoice Flow (15%), Debt Management Flexibility (15%), ICT and Implementation Requirements (10%), Legal Terms and Conditions (5%)	<b>70%</b>
<b>Total</b>	<b>100%</b>

15. From the shortlist of 5 tenderers, 3 tenders were received electronically on 17 April 2020.
16. The tender submissions were evaluated by the project team in accordance with the criteria set out in the invitation to tender. The percentage scores for the tenders received are provided in the confidential appendix A which details the preferred supplier for the new finance system.

### **CONTRACT AWARD**

17. Award notification letters will be sent to all tenderers via the e-tendering portal. The letter will include a summary of evaluation scores achieved by the relevant bidder versus the winning bid.
18. An OJEU standstill period of 10 calendar days must be applied before the contract can be implemented.

### **RISK ASSESSMENT**

19. Many of the usual and identifiable risks initially present in this type of project have been negated through the Council's procurement process and procuring via an OJEU Regulation Open Tender.

### **CONCLUSION**

20. Three tenders were received for the finance system for a 5-year contract, with the option to extend for a further 5 years. All three systems would achieve some of the improvements being targeted for this purchase. However, the highest scoring system is considered to best meet the vision and priorities set for the purchase and will provide the Council with a modern and flexible system which will best future proof its financial processes for the years to come.
21. It is recommended that the winning tender as set out in the confidential appendix A be accepted and the contract awarded.