

# Mayor's Executive Decision Making



Thursday 21 December

1. **RENEWAL OF FINANCE SYSTEM CONTRACT WITH  
EXISTING SUPPLIER**

3 - 12

**Contact for further enquiries:**

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The best of London in one borough

**Tower Hamlets Council**  
Tower Hamlets Town Hall  
160 Whitechapel Road  
London E1 1BJ

# Agenda Item 1

<b>Individual Mayoral Decision Proforma</b> Decision Log No: 412	 <b>TOWER HAMLETS</b>
<b>Report of: Julie Lorraine, Corporate Director of Resources</b>	<b>Classification:</b> Unrestricted
<b>Agresso Financial System Contract</b>	

<b>Is this a Key Decision?</b>	No
<b>Decision Notice Publication Date:</b>	22 <sup>nd</sup> December 2023
<b>General Exception or Urgency Notice published?</b>	Call in urgency – this decision has been exempted from call in by the Chair of Overview and Scrutiny Committee on the grounds that is urgent and he has agreed that doing so is reasonable in all the circumstances. The urgency reasons are as follows:  Current support for the Agresso product which is aa business critical piece of software runs out on 31 <sup>st</sup> December. The IMD enables a new contract to be in place by 1 <sup>st</sup> January.
<b>Restrictions:</b>	N/A
<b>Reason for seeking an Individual Mayoral Decision</b>	Our Maintenance and Support for our Financial System ends on 31 <sup>st</sup> December 2023

## EXECUTIVE SUMMARY

### **Agresso contract renewal £797k Direct Award, individual Mayoral Decision required.**

Our current contract with Unit 4 ends on 31<sup>st</sup> December 2023 with an option to extend support and maintenance for one year, we currently have a hosting contract with G7/QTC which ends in December 2024.

We have negotiated down from a 5 year contract to 3 years (taking us to Dec 2026, requiring us to migrate our current Agresso from a Client on premise service to their Cloud (a lift and shift), this work must be done within 2 years by our internal team. (2 Agresso inhouse staff).

### **Value for Money Case**

Unit 4 will support this lift and shift work free of charge. This includes hosting and migration work is free.

Opting for direct award, and Individual Mayor's Decision route to procure delivers a like for like saving compared to the G-Cloud procurement route, delivering a £357k saving over the next 3 years.

Delaying this decision for a further year will expose us to inflationary uplifts of £100k per year (£300k for a 3 year contract).

The extra budget required over and above our existing commitment is £151k but this includes, relocation of hosting and legal fees (see table below).

There is a higher cost in 2024-25 due to parallel running of the systems during implementation. This one-off cost of £118k will be funded from the transformation reserve. There is a small increase in the annual licensing fee of £17k a year which will need to be contained within existing budgets. There is risk that the increase cannot be contained, however the amount is relatively small and by not progressing the costs are likely to be higher.

Concluding, this option gives us a finance system for the next three years and moves us to the cloud earlier whilst internal resource is available. To extend the existing contract by one year only means delaying for another year, renewing the current contract for a further 12 months without taking the opportunity to migrate to the cloud and also higher costs as a result of inflationary unknowns.

Current Budget				
	FY24/25	FY 25/26	FY26/27	Total
Agresson 3 year renewal (maintenance)	132	132	132	396
Agresso 3 year renewal Support	117	117	117	351
	<b>249</b>	<b>249</b>	<b>249</b>	<b>747</b>
<b>Unit4 Contract and Terms based on 1000 users of the system 3 year contract</b>				
Option 2 Step up to Cloud	266	266	266	797
Mamimum Legal Costs	25			
Report Writing	5			5
Cost of relocating hosting	71			71
	<b>367</b>	<b>266</b>	<b>266</b>	<b>898</b>
<b>Additional Budget Required</b>	<b>118</b>	<b>17</b>	<b>17</b>	<b>151</b>

## .DECISION

### Recommendations:

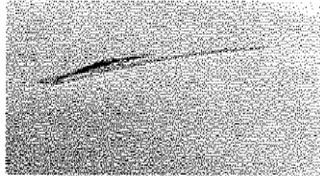
The Mayor is recommended to:

1. Approve the award of the Agresso Contract (lift and shift model) to Unit 4 our current provider on the expiration of the existing contract which ends on the 31<sup>st</sup> December 2023, this will result in a £357k saving compared to procuring through the G-Cloud route.

**APPROVALS**

**1. (If applicable) Corporate Director proposing the decision or his/her deputy**

I approve the attached report and proposed decision above for submission to the Mayor. I confirm that the Mayor and/or Lead Member have agreed to this decision being taken using this process.



Signed ..... Date 18/12/2023

**2. Chief Finance Officer or his/her deputy**

I have been consulted on the content of the attached report which includes my comments.

Signed .....*Ahsan Khan*..... Date 18/12/2023.....

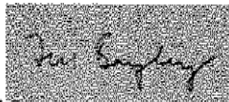
**3. Monitoring Officer or his/her deputy**

I have been consulted on the content of the attached report which includes my comments.

(For Key Decision only – delete as applicable)

I confirm that this decision:-

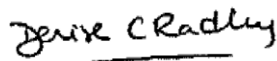
(a) has been published in advance on the Council's Forward Plan OR  
(b) is urgent and subject to the 'General Exception' or 'Special Urgency' provision at paragraph 18 or 19 respectively of the Access to Information Procedure Rules.



Signed ..... Date: 18.12.23.....

**4. Chief Executive**

I have been consulted on the content of the attached report which includes my comments where necessary.




Signed ..... Date: 19 December 2023

**5. Mayor**

I agree the decision proposed in the recommendations above for the reasons set out in paragraph XX in the attached report.

Signed .....  ..... Page 5 Date 19/12/23

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<b>Individual Mayoral Decision</b>  22 <sup>nd</sup> December 2023	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director of Resources	<b>Classification:</b> Unrestricted
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<b>Lead Member</b>	<b>Councillor Saied Ahmed Cabinet Member for Resources and the Cost of Living</b>
<b>Originating Officer(s)</b>	Julie Lorraine, Corporate Director of Resource
<b>Wards affected</b>	N/A
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	N/A
<b>Forward Plan Notice Published</b>	N/A
<b>Exempt information</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	Priority 8: A council that listens and works for everyone from the <a href="#">Strategic Plan 2022-26</a> ]

### Executive Summary

Our current contract with Unit 4 ends on 31st December 2023

This contract ensures our existing finance system is maintained and supported for the next three years.

### Recommendations:

The Mayor is recommended to:

1. Authorise the Corporate Director Resources to waive the application of the Procurement Procedures to this purchase.
2. Authorise the Corporate Director Resources to award Unit 4 (the current provider) a contract for the continued use of Agresso on the basis outlined in this report.

## 1 **REASONS FOR THE DECISIONS**

Our current contract with Unit 4 ends on 31st December 2023 with an option to extend support and maintenance for one year, we currently have a hosting contract with G7/QTC which ends in December 2024.

We have negotiated down from a 5 year contract to 3 years (taking us to Dec 2026, requiring us to migrate our current Agresso from a Client on premise service to their Cloud (a lift and shift), this work must be done within 2 years by our internal team.

## 2 **ALTERNATIVE OPTIONS**

- 2.1 Renew the existing contract for one year only, opening us up to inflationary uplifts.

## 3 **DETAILS OF THE REPORT**

**Agresso contract renewal £797k Direct Award, individual Mayoral Decision required.**

Our current contract with Unit 4 ends on 31<sup>st</sup> December 2023 with an option to extend support and maintenance for one year, we currently have a hosting contract with G7/QTC which ends in December 2024.

We have negotiated down from a 5 year contract to 3 years (taking us to Dec 2026, requiring us to migrate our current Agresso from a Client on premise service to their Cloud (a lift and shift), this work must be done within 2 years by our internal team. (2 Agresso inhouse staff).

As this is a critical business system and the supplier will not support us beyond the end of our existing contract in December 2023 unless we sign up to a one year contract or opt for this alternative option that presents value for money (see below), we are time limited to open this up to open competition which will result in risking the possibility of not having our financial system supported.

At the end of October 2023 Unit 4 wrote to all their clients who use our version of Agresso, advising us that they were no longer going to support the product that the Council use to prepare all its financial reports and transactions. Like all software companies they are moving to a different model and are keen to sell their new ERP product and have effectively forced the council's hand. They did however give us the option to move to their 'Cloud Step 1' option or continue for a year on the existing contract. Discussions were protracted as the internal teams had many technical and commercial clarifications and an assessment of our current environment needed to be made. These discussions took several weeks and the deal that was offered by Unit 4 has a hard stop of 22<sup>nd</sup> December. Our teams have worked very hard to renegotiate this but Unit 4 are aware that the Council cannot operate without a supported Finance System, and that the option to 'lift and shift' to the Cloud is work that we would have to



undertake in the near future as the current product ends. This gives the Council very little room to open up to commercial competition because of the unreasonable timeline that has been put to the council. In light of the offer on the table, and our limited options, this award presents the best value. The contract needs to be for 3 years to allow us to plan and execute a new system implementation.

### **Value for Money Case**

Unit 4 will support this lift and shift work free of charge.

This includes hosting and migration work is free.

Opting for direct award, and Individual Mayor's Decision route to procure delivers a like for like saving compared to the G-Cloud procurement route, delivering a £357k saving over 3 years.

Delaying this decision for a further year will expose us to inflationary uplifts of £100k per year (£300k for a 3year contract).

Concluding, this option gives us a finance system for the next three years and moves us to the cloud earlier whilst internal resource is available. To extend the existing contract by one year only means delaying for another year, renewing the current contract for a further 12 months without taking the opportunity to migrate to the cloud and also higher costs as a result of inflationary unknowns.

## **4 EQUALITIES IMPLICATIONS**

4.1 There are no implications.

## **5 OTHER STATUTORY IMPLICATIONS**

5.1 S151 Officer is responsible for keeping accurate financial records.

## **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 It is imperative that the Council has a well maintained and fit for purpose financial system to ensure it complies with its statutory duties and can inform decision making.

6.2 There is a higher cost in 2024-25 due to parallel running of the systems during implementation. This one-off cost of £118k will be funded from the transformation reserve. There is a small increase in the annual licensing fee of £17k a year which will need to be contained within existing budgets. There is risk that the increase cannot be contained, however the amount is relatively small and by not progressing the costs are likely to be higher.

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## **7 COMMENTS OF LEGAL SERVICES**

- 7.1 The Council has the legal power to undertake the activities identified in this report.
- 7.2 The Council is generally obliged to subject purchases to competition by virtue of the Public Contracts Regulations 2015 and its own Procurement Procedures. However, regulation 32 allows the Council to negotiate with a single supplier without an advert where competition is absent due to technical reasons and no reasonable alternative is available.
- 7.3 The Agresso system is a business critical system and the Council provides many statutory services. It would therefore be untenable to lose the use of its finance system either due to a break in the contract or due to a security breach. In any event it would take a number of years to run an appropriate procurement as well as implement a new solution so at this point in time there is no reasonable alternative. Therefore, the circumstances satisfy Regulation 32.
- 7.4 The Council has a legal duty to obtain Best Value when delivering its functions. The procurement process would usually provide evidence of this as the winning bidder tends to be the best then available in terms of economy efficiency and effectiveness. The report evidences that the cost would seem to be beneficial to Council under the new arrangement and obviating the need to replace the system could be considered to be both efficient and effective in the short to medium term.
- 7.5 The Contract will also be monitored in order to ensure delivery of the agreed outcomes which will also provide evidence of achieving Best Value.

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- NONE

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE

### **Officer contact details for documents:**

N/A

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