

CABINET PROCUREMENT & INSOURCING COMMITTEE

CONTRACT AWARD REPORT

Contract Award Report	
Title of Report	e5 Cedar Financial System Reprourement
Key Decision No.	CED S298
CPIC Meeting Date	4 March 2024
Classification	Open (with Exempt Appendix)
Ward(s) Affected	ALL
Cabinet Member	Councillor Chapman, Cabinet Member for Finance, Insourcing and Customer Service
Key Decision	Yes
Group Director	Jackie Moylan - Interim Group Director of Finance
Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	Exclusive of VAT £2,746,129.00 Inclusive of VAT £3,295,354.80
Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	5 Years

1. Cabinet Member's Introduction

- 1.1. To deliver the Council's priorities it is essential we have effective financial management which is underpinned with accurate financial data. The Council's current financial management system is a key platform that enables the Council to report, manage and maintain critical financial data in accordance with regulatory and legal requirements. The platform also enables us to pay our suppliers and manage our sundry debt whilst meeting the needs of the services that rely on it.

- 1.2. By staying with our current financial system and service provider we are able to realise the benefits of our previous investments and build on them, whilst removing the risks and implementation costs associated with implementing a new system within a limited timeframe and budget.
- 1.3. This report seeks approval for the award of a 5-year contract to continue using our current financial system and hosting provider. This is a direct award using Crown Commercial Service (CCS) framework (RM6194).

2. **Group Director's Introduction**

- 2.1. The Council relies on a robust financial system that can underpin good accounting practices. The Council's current finance system is the e5 platform which is supplied and hosted by the Incumbent supplier. The system is widely used across the Council for financial management, procurement, paying suppliers and managing debt.
- 2.2. The e5 platform has proved to be resilient, reliable, secure, and meets the current needs of the Council. We are now benefiting from the investment made during the course of the current contract to move to a new hosting provider and cloud deployment. Market research has shown that in competitive tenders the e5 platform has been selected for both functionality and value for money.
- 2.3. The cost of changing to a new system would require a significant financial investment and commitment of officer time and resources to manage any change and the associated risk. This has been demonstrated in other local authorities where delays and complications in implementation have resulted in substantial unexpected overspends.

3. **Recommendations**

Cabinet Procurement & Insourcing Committee is recommended:

- 3.1. **To authorise the award of a 5 year contract with a total value of £2,746,129 for the provision of hosting and maintenance of the e5 financial system and associated applications and services via the Crown Commercial Services framework RM6194.**

4. **Related Decisions**

- 4.1. N/A

5. **Reason(s) For Decision / Options Appraisal**

- 5.1. The Council uses the e5 platform (known locally as Cedar) and its associated applications as its core Financial System. The applications provide the basis for ensuring accurate budget monitoring, prompt collection of sundry income, payment of suppliers and correct accounting processes. It is important that we have the right systems and robust support services in place to ensure continuous reliability and availability to meet the Council's needs and also to plan for future growth and development of the system.
- 5.2. The current contract for the hosting and management of the e5 application and associated functions with the Incumbent supplier expires on 31 March 2024. There is no provision for an extension of the current contract and therefore a new contract is required to ensure continuity of service of the financial system and associate functions.
- 5.3. The Council has used various versions of the e5 platform which has been extensively developed by the vendor both in terms of functionality and underlying technology. Hackney has made a significant financial and resource investment to ensure the application delivers on our core needs and priorities. During the current contract we have upgraded to version 5.6 which gives us the ability to access the system securely over the internet and removes the reliance on the Hackney infrastructure. We have implemented Version 1 software that integrates with e5 to view embedded pdf versions of all documents produced by the system e.g. PO's, Invoices, remittances and statements. This has enabled users to directly access these documents from within the e5 system, whereas previously they used a convoluted process that would take a few days to deliver the documents. In addition, Fiscal was also deployed as a forensic / antifraud detection tool. This benefits the Council by detecting duplicate payments made to suppliers and any potential fraudulent payments in the system. By working with the software vendor we have helped them further develop the application, and many of the enhancements that were originally bespoke to Hackney have now become part of the core product.
- 5.4. e5 has proved to be resilient and reliable both in terms of its data integrity and system availability which is currently at 99.7%.
- 5.5. In 2020 the Council contracted to migrate from another hosting provider (Daisy) to the Incumbent supplier and also to upgrade the e5 platform to the latest version. The migration from Daisy to the Incumbent supplier was based on financial savings of circa £1M. The upgrade was delayed due to the Covid19 pandemic and the Cyber Attack, and went live with the Incumbent supplier in 2021. The benefits of this investment have only been realised over the last two years and they would continue to be realised in the new contract.
- 5.6. During the current contract we have benefited by moving to an internet facing solution in line with the Councils web first strategy. This has

reduced the previous reliance and associated costs of using the separate AWS Appstream service (which provides a virtualised Windows application environment and attracts additional separate costs) for users to access the application. During the course of the new contract there will be an opportunity to explore moving to the supplier's Software as a Service (SaaS) solution of the e5 platform. This would further follow the Council's web first strategy with SaaS solutions being the preferred option. It also allows for incremental product enhancements which are deployed seamlessly. As the supplier's SaaS solution is based on the e5 platform we would benefit from minimal disruption to users with no requirement for major process changes or training.

- 5.7. If during the term of the contract the opportunity to upgrade the software and/or a move to the supplier's SaaS version of the platform becomes an option, it will be evaluated and may become a contract variation that will be subject to the appropriate governance.
- 5.8. The e5 platform delivers all of the Council's core requirements for a financial system, however it is recognised that periodic reviews of those requirements and market testing of available alternatives are required.
- 5.9. During the course of the current contract there was an intention to carry out user research and a discovery exercise to determine the future requirements for the financial system. This was put on hold due to the Covid 19 pandemic and Cyber Attack which diverted resources to other priorities.
- 5.10. We have carried out some soft market research to support this procurement. This included:
 - One local government organisation who were required to change their financial system due to it reaching end of life (no longer being supported). This authority carried out a full tender exercise which received tender submissions from nine suppliers. The authority weighted quality and cost as a 50% split and the e5 platform came in first place for both quality and cost and was selected by the organisation. Their procurement process has taken over 18 months and the implementation is about to start.
 - Another London Borough moved to the e5 platform from Oracle having carried out a similar tender exercise which compared full enterprise solutions (ERP comprising HR/Payroll and Finance) with 'best of breed' solutions (separate systems which specialise in the relevant service processes), and chose the e5 platform as 'best of breed' for Finance.
- 5.11. Whilst direct comparisons are difficult, this soft research shows that the e5 platform has been a positive choice for similar organisations who have carried out competitive tendering. This reinforces our belief that the e5

platform continues to offer value for money for Hackney and will continue to be developed and meet our needs for the next 5 years.

5.12. Market research and past experience shows that it could take upward of 3 years to carry out a discovery, proceed with a full tender exercise and then implement a new system if required. Therefore there was not enough time to complete this within the current contract. Any attempt to rush through a review that resulted in a change of platform could have resulted in significant risk to the Council of not completing the implementation in time. In addition, the migration and implementation costs are estimated to be in excess of £2M, which will need to be budgeted for as part of the Council's financial planning.

5.13. It is envisioned that during the course of the new 5 year contract a full discovery will take place within the first two years of the contract, allowing time to review options and, if required, carry out a tender exercise and implementation process if a new system is preferred. An indicative timetable for a future discovery, procurement and implementation is detailed in the table below

Proposed activity	Estimated delivery date
Agree action plan with terms of reference for discovery and market exploration	September 2024
Carry out discovery - including identifying and mapping current and future user and service requirements	May 2025
Map discovery outcomes to current and alternative systems and providers and undertake market research	Jan 2026
Decision point on future procurement route	Mar 2026
Procurement process as required (Tender, framework call off, etc, including governance)	Mar 2027
If required implementation of new contract deliverables (Allowance of 22 months)	Jan 2029

5.14. By agreeing a 5 year contract the Council has secured a discounted rate over a similar 4 year contract. The discount is equivalent to 4.7% by year 4. Using the 'Back Office Supplier' contract framework, the Council has the flexibility to give 365 days notice on the contract prior to the end of the

full 5 year term. In those circumstances any discount given by the supplier would need to be reimbursed.

5.15. KPIs will be used to manage the contract and provision has been made within the new contract to allow for service credits if the supplier is unable to maintain platform availability at the desired level.

5.16. **Alternative Options (Considered and Rejected)**

5.17. Based on soft research and past experience it could take upward of 3 years to carry out a discovery, proceed with a full tender exercise and then implement a new financial system if required. Due to the Covid 19 pandemic and the Cyber Attack, resources across the Council were diverted to priority tasks and not available to start the discovery process early enough to ensure that any new implementation could be completed by the end of the current contract. Starting this process late in a contract would represent a very high risk to the Council and was therefore discounted.

5.18. There is no option to host the e5 platform in-house as Hackney has adopted a web first and cloud strategy for security and cost reasons, and does not have capacity to host a large finance system in-house. Therefore the only option available is to procure a 3rd party provider for the hosting and maintenance of the e5 cloud based platform.

5.19. Currently, there is no alternative managed service provider other than Supplier 'A' who are offering to host and manage the e5 application.

6. **Project Progress**

6.1 **Developments since the Business Case approval**

Not applicable as no business case submitted (this Report is a combined Business Case and Contract Award Report in line with Contract Standing Orders).

6.2 **Whole Life Costing/Budgets**

The whole life costs of the new contract are shown in the table below. As this is a re-procurement of the current e5 platform there are no implementation costs that would be associated with a new procurement. The figures are based on the full 5 year contract. The BOS framework contract allows the Council to leave the contract prior to the full 5 year term. During the course of the contract any major upgrades would be negotiated separately.

Item	One off Services	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Supplier 'A' e5.6 hosted subscription		£488,651	£522,857	£559,457	£587,429	£610,927	£2,769,320
Remove Dev Environment	£5,145	-£5,000	-£5,350	-£5,725	-£6,011	-£6,251	-£23,191
Total	£5,145	£483,651	£517,507	£553,732	£581,418	£604,676	£2,746,129

6.3 Risk Assessment/Management

Risk	Likelihood	Impact	Overall	Action to avoid/mitigate risk
A new contract is not in place by the end of March 2024.	Low	High	Medium	Ensure procurement and governance processes are followed and deadlines met.

7. Savings

No cashable savings will be made on this contract.

8. Sustainability Issues and Opportunities, Social Value Benefits

8.1. Procuring Green

The Council's 'cloud, unless' technology strategy reduces the Council's carbon footprint through removing requirements for dedicated on-premises infrastructure. The service provider is committed to reducing their carbon footprint and they have a published Environmental Social and Governance (ESG) report which details how they are progressing. 100% of the supplier's UK offices operate solely off green energy. 100% of the supplier offices operate a recycling station and encourage the reduction in waste by removing single use plastics.

8.2. Procuring For A Better Society

The supplier provides opportunities for individual staff members to be supported in making direct contributions to their local areas. This support includes paid volunteering leave and a match fundraising scheme.

The provider is actively monitoring and seeking to reduce their Diversity Pay Gap.

8.3. **Procuring Fair Delivery**

The supplier is committed to celebrating diverse identities, educating on differences of lived experience and advocating for inclusion. As a company, Supplier 'A' has committed to tackling modern slavery and human trafficking.

8.4 **Equality Impact Assessment and Equality Issues**

No issues identified.

8.5 **Social Value Benefits**

Supplier 'A' currently works with Hackney to provide solutions to help accurately assess an adult's current working level for Maths and English (BKSB process). The diagnostic assessment helps develop individual learning plans to work on skill gaps which include engaging content, progress checks and exam practice. The supplier has developed a new solution to help assess an adult's working level of Digital Skills. Through this contract the supplier is offering 300 free places for each year of the contract.

The BKSB process will be managed by the Curriculum Support Team, the Curriculum Managers and the teachers in the Employment, Skills and Adult Learning Service. The beneficiaries are the hardest to reach residents of the Borough of Hackney, who are furthest from the employment market. They will benefit from this additional Learning Tool/Resource as it is recognised by most awarding bodies this will supplement their studies, and help them achieve their qualification.

The supplier is a patron of the Prince's Trust and supports many of their activities including those in London.

9. **Evaluation of framework catalogue service offering**

- 9.1. On review of the CCS framework RM6194 we identified four catalogue items that together seemed to meet our specification criteria. The catalogue items were collectively evaluated against the specification and marked using the scoring tables below.

Criteria type	
Essential	Pass /Fail
Quality / Desirable	50%
Price	50%
Total	100%

9.2. **Summary of Essential criteria and result of evaluation.**

Examples of essential criteria	Essential
E5 software fully hosted and supported system	Pass
Single sign-on and compatible with Chrome OS	Pass
Core modules e.g Accounts Payable, General Ledger, Sales Invoicing, Accounts Receivable, Commitment Accounting, Bank Rec, etc	Pass
Business intelligence	Pass
Budget monitoring software	Pass
Making tax digital submission portal	Pass
CIS electronic gateway	Pass
Fiscal integration	Pass
BACS bureau services and cheque and document printing	Pass
Appropriate SLA / KPI's around service availability and incident response times	Pass
DR provision	Pass
Overall evaluation	Pass

9.3. Desirable criteria

Price / Quality / Desirable Criteria	Score	Available %	Actual % awarded
Business Intelligence (Cognos) By specifically using Cognos Analytics existing knowledge and effort is saved as existing frameworks and reports can be used and built upon			
Cognos BI Analytics & Data Mart (Familiarisation with BI tool and ability to create new schemas)	3	10	10
KPI's and SLA's KPI's and SLA's provide a way to measure performance against agreed service levels. The stronger the KPI and SLA the better.			
Minimum 99.75% service availability	3	5	5
Maximum Incident response times P1 - 1 hr, P2 - 2 hrs	3	5	5
Incident Fix times P1 - 2 Hours, P2 - 4 Hours	3	10	10
Service credits for failure to meet availability target	2	10	6.7
Ability to provide customisations Customisations allow us to tailor the products and service to our needs. This can be via developments with the supplier or in-house. They add value to the product by giving flexibility to adapt to new requirements	3	10	10
Total Quality Score (rounded)		50	46.7
Price score	3	50	50
Overall score - quality and price			96.7

9.4. Overall the catalogue offerings met our specification criteria.

10. **Reason for Recommendation**

10.1. Direct award catalogue listings are available on the Government eMarketplace.

10.2. Cabinet Procurement and Insourcing Committee is recommended to: Note the Crown Commercial Services Back Office Software RM6194 framework process used (Direct award via a catalogue listing on the Government eMarketplace) for the re-procurement of the e5 financial systems platform and its associated applications and services.

10.3. To progress the award of a contract to Supplier 'A'. The contract will be for a period of 5 years with no option to extend.

11. **Contract Management Arrangements**

The contract will be managed by the Financial Systems Team.

As this is a re-procurement there are no material changes to the application, current operation or hosting arrangements.

The supplier's KPI performance data will be reviewed monthly with the supplier through reports and meetings. Additional meetings will be held if there are concerns that can not be dealt with through the standard escalation processes.

11.1. **Key Performance Indicators**

Performance indicators will apply to all modules unless otherwise stated

Main KPI Targets Set	Monitoring
1. Number of users	Monthly
2. 99.9% availability (measured by total minutes lost vs contracted system up time)	Monthly
3. SLA targets for incident and request responses	Monthly
4. User satisfaction	Annually

SLA targets for incident and request responses

Priority	Business Impact	Target Response	Target Resolution
1	Critical Business Impact	30min	2 Hrs
2	Major Business Impact	1 Hr	4 Hrs
3	Minor Business Impact	4 Hrs	2 Days
4	No Business Impact	8 Hrs	5 Days

Credits for reduced availability

Availability per month (%)	% of monthly hosting charges for module
99.80 - 100	0
99.50 - 99.79	5
99.00 - 99.49	10
98.00 - 98.99	15
0.00 - 97.99	25

12. Comments Of Interim Group Director Of Finance

- 12.1. This report presents a proposal for the award of a new contract to Supplier 'A' for hosting and supplying the e5 platform, which currently serves as the financial system utilised by Hackney Council. The e5 platform plays a pivotal role across various services within the Council, effectively meeting the evolving demands of our operations. With the impending expiration of our existing contract with the Incumbent supplier on 31 March 2024, it is imperative to secure a new contract to ensure uninterrupted service delivery.
- 12.2. The current annual expenditure for the e5 platform stands at £454k. Under the proposed new contract, we anticipate an annual expenditure of approximately £488k with a gradual increase of 7% annually for the first three years, followed by an adjustment based on either a fixed percentage or the value of RPI (whichever is higher) for the last two years of the contract. The additional cost going forward will be factored into the Council Medium Term Financial Planning.

13. **VAT Implications On Transactions**

- 13.1. The onus rests with the supplier to determine the VAT liability of the supply.
- 13.2. No other VAT implications have been identified.

14. **Comments Of The Acting Director, Legal, Democratic & Electoral Services**

- 14.1. This matter was classified as Low Risk. However, the value of the contracts to be awarded in this Contract Award Report is more than £2m and therefore this Report is being presented to Cabinet Procurement and Insourcing Committee for approval in accordance with paragraph 2.10 of Contract Standing Orders.
- 14.2. It is proposed to use the Crown Commercial Services framework RM6194 to award a five year contract for the provision of hosting and maintenance of the e5 financial system and associated applications and services. Use of the framework would be subject to the provisions of Regulation 37 of the Public Contracts Regulations 2015 which allow a contracting authority to acquire supplies or services from a centralised purchasing body.
- 14.3. Details of the procurement undertaken to make the contract award are set out in this Report. It is proposed to make a direct award of contract to the supplier as permitted under the terms of the Crown Commercial Services framework. Contract Standing Order 5.7 states that “where it is proposed to use an External Framework Agreement for a project and prices and terms are certain at the point the Business Case is formulated, because there is only one contractor (or exceptionally where is permissible under the framework to use a single contractor) within a relevant category a single stage combined Business Case and Contract Award report may be presented where otherwise two separate reports would be required.” Therefore this Report is a combined Business Case and Contract Award Report.

15. **Comments Of The Procurement Category Lead**

- 15.1. The recommendation for entering into 5 years with Supplier ‘A’ is made via means of a compliant framework that offers direct award option. A service offering has been proposed via Crown Commercial Services and the service area is satisfied that we are obtaining the same level of service as before. All relevant documentation for this procurement is saved on share drive for track record purpose and the award notification will be made via the London Tender Portal.

- 15.2. The procurement lead for corporate services supported the tender process ensuring compliance. It is believed the Council faces minimum risk of challenge on this direct award.
- 15.3. But it is recommended that over the course of this new contract, a full review of the service shall be carried out with market engagement, senior managers and end users to ensure we have a robust option appraisal and competitively procure this service after.
- 15.4. The contract manager should be aware of time constraints to engage with stakeholders, make a recommendation, obtain internal governance, procure, decommission transfer system and data.

Exempt Appendices

Exempt Appendix 1 : Supplier details

Exempt

By Virtue of Paragraph(s) 3. Part 1 of schedule 12A of the Local Government Act 1972, appendix 1 is exempt because they contain information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background Documents

None

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