

**TITLE OF REPORT: Agresso Financials System Upgrade and Cloud Migration****REPORT OF: Darren Collins, Strategic Director, Resources and Digital**

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**Purpose of the Report**

1. To seek cabinet approval to upgrade the Council's key financial system, Agresso (Unit4/ERP) system upgrade and transition to the Unit4 cloud via an award direct to the supplier without competition utilising Regulation 32(2)(c) of the Public Contract Regulations 2015.

**Background**

2. Agresso has been the Council's primary financial management system since 2002, with major software and platform upgrades in 2013 and 2020.
3. The Agresso solution critically underpins all the Council's accounting processes including financial reporting, analysis, and asset management to achieve financial regulatory compliance and corporate governance.
4. The Agresso system provides essential functionality for financial monitoring and reporting, budgeting, purchase ordering of goods and services, invoice payment (expenditure) and customer billing (income generation) in addition to online / system workflow approvals to comply with financial regulations.

**Contractual position, future planning and investment**

5. The Council procured Agresso in 2001 under a perpetual license arrangement which gives the Council ongoing rights use of the Unit4 software (system).
6. In 2019, as part of the planned application upgrade in December 2020 the Council moved to a private cloud hosting arrangement with another supplier, QTC who have provided excellent customer service and prompt and proactive resolving of any system issues.
7. In October 2023 Unit4 informed customers of their plans to withdraw the current software licensing arrangements after December 2024 requiring customers to transfer to a Unit4 cloud-based version of their software and cloud-hosted arrangement.
8. To ensure ongoing technical support and business continuity for the Council, Unit4 has announced that a new agreement must be in place prior to 31

December 2024. It is expected that the transition will occur in the 2025/26 financial year. As part of this transition, they require the Council to upgrade to the most recent version of software. Key dates in the financial planning cycle must be avoided to ensure no risk of system failure and service delivery.

## **Proposal**

9. It is proposed that the Cabinet approves the continued use of an updated Unit4 Agresso finance system and its transition to Software as a Service (SaaS) license arrangements on Unit4 cloud.
10. The cost of the SaaS license annual fee and Unit4 cloud is £1.354m over a 5-year term with a contract start date of 1 January 2025. This will require an increase in base revenue budget.
11. The anticipated additional costs of the Agresso upgrade, utilising a blend of in-house capacity supplemented by external expertise and project management is circa £0.650m over five years. These one-off costs will be met from earmarked funds within the Financial Risk and Resilience Reserve.

## **Recommendations**

12. It is recommended that Cabinet:
  - i) Approve the continued use of an updated Unit4 Agresso finance system and its transition to Software as a Service (SaaS) license arrangements on Unit4 cloud.
  - ii) Enter into a contract with Unit4 via an award direct to the supplier, without competition utilising Regulation 32(2)(c) of the Public Contract Regulations 2015 (PCR2015). This regulation permits the award of a public contract by negotiated procedure without prior publication, on the grounds of extreme urgency brought about by events unforeseeable by the contracting authority, where the timelines for an open, restricted, or competitive negotiation procedures cannot be complied with.

for the following reason(s)

- i) To ensure ongoing technical support and business continuity, service delivery and a stable finance system for the Council, partner organisations and key third-party applications deployed across the Council that enable services to citizens and underpin and support transformation programmes and process improvement priorities.
- ii) The unforeseeable decision by Unit4 on 17 October 2023 to remove support for the Council's 3<sup>rd</sup> Party hosting solution from December 2024, presents insufficient time for the Council to undertake market tests, complete a full procurement exercise and implement a new solution

iii) To contribute to sound financial management and the long-term financial sustainability of the Council.

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## APPENDIX 1

### Policy Context

1. This report is consistent with the Council's objectives of making Gateshead a place where everyone thrives by assisting in ensuring a sustainable financial position for the long term.
2. Securing a robust financial system contributes to the ability to comply with the Council's budgetary framework providing councillors with regular reports on performance against revenue and capital budgets.

### Background

3. An agreement must be signed with Unit4 prior to 31 December 2024. It is anticipated that the transition will occur in the 2025/26 financial year. Key dates in the financial year should be avoided to ensure no risk of system failure and service delivery.
4. The limited notice period the supplier has given prevents a full competitive procurement exercise which would need to be undertaken and include market research, engagement, document preparation, tendering, evaluation, approvals, award, project implementation, mobilisation, transition and system implementation.
5. Officers are proposing a direct award to the supplier, using Regulation 32(2)(c) of the PCR2025.

### Upgrade and Contract Costs

6. The Council currently has a budget and pays £0.174m per annum, for licences, application support and QTC technical managed services.
7. The Council will have to move onto the Unit4 Cloud version of the software. This move will mean an increase to the Council's annual support and licensing costs.
8. Future system costs are set out in the table below:

REVENUE COSTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
	2024-25	2025-26	2026-27	2027-28	2028-29	
	£	£	£	£	£	£
Unit4 SaaS subscription license	230,880	280,880	280,880	280,880	280,880	1,354,400
SaaS Migration, Support & Maintenance	82,750	142,000	-21,000	-21,000	-21,000	161,750
External SaaS upgrade external consultancy	41,250	123,750	82,500			247,500
Internal SaaS Gateshead Project Team resources	18,017	168,221	54,051			240,289
<b>Net Impact</b>	<b>372,897</b>	<b>714,851</b>	<b>396,431</b>	<b>259,880</b>	<b>259,880</b>	<b>2,003,939</b>

\* Indexation in line with CPI is applicable on contract terms, approximately +2% per annum

9. The ongoing additional system costs have been considered within the Medium-Term Financial Strategy 2025/26 to 2029/30. The one-off temporary costs

associated with system implementation, internal project and external consultancy will be met from earmarked funds within the Financial Risk and Resilience Reserve and also considered as part of the 2025/26 approach to budget setting.

10. Unit4 modelling and pricing for replacement / additional modules has been excluded at this time. The project solution design stage will better inform this pricing. Any system development will be considered as a future business case.
11. An upgrade project plan has been developed with draft timescales as well as a comprehensive risk register. This will be monitored through a project board. A considerable amount of work is to be undertaken prior to Unit4 upgrade and cloud migration. The implications of this are that any further development work required by services on system interfacing will need to be paused unless highly critical.
12. The timing of updates will now be dictated to the Council by Unit 4 once the Council is using their cloud. There will be two “mini” upgrades per annum going forward.

### Consultation

13. The Service manager of Commercial and Regulatory Law, Service Director Corporate Commissioning and Procurement and the Service Director IT Services have been consulted in preparation of this report.
14. The Leader of the Council and Finance Portfolio have been consulted on this report.

### Alternative Options

15. Options arising from this report and reasons for recommendations:

Option	Supporting comments
<p>1. Sign commercial contract to purchase U4 SaaS license before 1 Jan 2025 ERP7(CR) and commence readiness to migrate to U4 cloud.</p> <p><b>This is the recommended option.</b></p>	<p>Ensures ongoing technical support and business continuity, service delivery and a stable finance system for the Council, partner organisations and key applications that enable services to citizens and underpin and support transformation programmes and process improvement priorities.</p>
<p>2. Commence tender process to procure replacement financial system by February 2026.</p> <p><b>Not recommended.</b></p>	<p>The provider has given insufficient notice of the cessation of the current license and support arrangements to conduct a full competitive procurement exercise. In addition to this the Agresso System has numerous complex interfaces with other solutions and there is not enough time</p>

	rework all the interfaces and migrate all the associated data.
<p>3. Do nothing, continue with the current version MS7.6 which will be unsupported by Unit4 after 31 December 2024.</p> <p><b>Not recommended.</b></p>	<p>This option is not viable, the Council cannot operate an unsupported finance system. There must be no risk of disruption to critical and mandatory functions, other key systems that interact with Agresso such as Mosaic adult and children's social care payments, revenue and benefits payments, income collection and generation streams, or expose the Council to the potential risk of reputational damage.</p>

16. Option 1 recommendation above will ensure that the Council has a stable finance system to continue to underpin all major projects that integrate with Unit4 Agresso to be completed, and to allow the transformation programme to deliver planned efficiencies.
17. Continued use of Unit4 Agresso will mean that the mobilisation and implementation of several new enhancements to existing third party interfaces will not be impacted. A change in provider would result in delays and additional costs.
18. Continued use of Unit4 Agresso will ensure business continuity across the Council where inter dependencies with third-party software applications are in place.
19. Similarly, continued use of Unit4 Agresso will ensure business continuity for Partner Organisations e.g. Regent Funeral Service, Energy Company, Trading Company, NEPO, Academy Schools that use Unit4 Agresso on a chargeable basis. The Council's Revenue and Benefits system integrates with the Unit4 Agresso finance system, the Council needs to ensure there is no disruption to this critical function.
20. There are currently more than 180 in-house applications and external third-party systems that interact with the finance system and would require additional integration work. These projects could not have been planned as they would not have been known about until the notice of moving to the Cloud was given by Unit4.
21. There are no alternative options proposed.

### **Implications of Recommended Option**

#### **22. Resources:**

- a) **Financial Implications.** The Strategic Director, Resources and Digital confirms these are as set out in the report and appendices. The ongoing additional system costs have been considered within the Medium-Term

Financial Strategy 2025/26 to 2029/30. The one-off temporary costs associated with system implementation, internal project and external consultancy will be met from the Financial Risk and Resilience Reserve and also considered as part of the 2025/26 approach to budget setting.

**b) Human Resources Implications – nil**

**c) Property Implications – nil**

**23. Risk Management Implication**

- A reliable, effective and stable financial system is critical to all activities of the Council in terms of making and receiving payments, recording income and expenditure against budgets and interfacing with other Council systems.
- The Council will issue a suitably worded Voluntary Ex-Ante Transparency (VEAT) Notice on the UK Government Find a Tender Service portal. This notice will notify the market of the direct award and outline the Council's compelling justifications against the criteria of Regulation 32(2)(c) of the PCR2025.
- To mitigate against potential challenges from the market a 10-day standstill will be observed from issue of the VEAT notice and contract award.

**24. Equality and Diversity Implications – Nil**

**25. Crime and Disorder Implications – Nil**

**26. Health Implications - Nil**

**27. Climate Emergency and Sustainability Implications - Nil**

**28. Human Rights Implications - Nil**

**29. Ward Implications - Nil**

**30. Background Information: As outlined above**