

# FINANCIAL MANAGEMENT SYSTEM UPGRADE

## AGENDA ITEM NO.12

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**MEETING:** POLICY AND RESOURCES

**REPORT BY:** FINANCE MANAGER

**DATE:** 4<sup>th</sup> JUNE 2014

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### **1.0 Purpose of the Report**

1.1 The purpose of this report is to ask Members to consider the upgrade of the Council's financial management system.

### **2.0 Background to the Report**

2.1 The Council's financial management system is a computerised accounting system which is used to process all of the Council's income and expenditure, operate the payroll, and record and maintain the Council's accounts.

2.2 The system incorporates a number of modules including purchase ordering and processing, sales ordering and processing, cash book and bank reconciliations, payroll and personnel, the nominal ledger which records the Council's accounts, and a reporting module.

2.3 The current system is operated using the Pegasus Opera 2 software. This system has been in place for over 10 years, since the Council upgraded from the original Opera 1 software.

2.4 The Pegasus Opera 2 software has served the Council well for many years and meets all of the requirements of both the Finance Section, in managing the finances of the Council, and the senior officers of the Council in raising orders for goods and services.

2.5 Officers would be happy to continue using the Opera 2 software for the foreseeable future. However we have been made aware by the Council's IT partner; Technology Services Group (TSG) that support for the software is likely to be withdrawn in the near future.

2.6 This follows the release of Opera 3 software in 2011 which is now well established as Pegasus' main accounting software product.

2.7 While an 'end of life' notification has yet to be released by Pegasus regarding the Opera 2 software, this is likely by the end of this year.

2.8 TSG have advised that such an announcement would likely result in massive demand for upgrades to Opera 3 and have indicated that it may be more cost effective for the Council to purchase the software before this in order to take advantage of the more competitive pricing currently available.

### **3.0 Upgrade of the Opera Financial Management System**

3.1 There are three options available to the Council in terms of the upgrade of the financial management system:-

- Retain the Opera 2 System until an 'end of life' announcement is made by Pegasus;
- Upgrade to the Opera 3 System;
- Test the market and look into the viability of replacing the system with another financial management system.

3.2 Officers are of the opinion that retaining the Opera software would be the best option for the Council and that an upgrade to the Opera 3 software should be undertaken in advance of an 'end of life' announcement being made on Opera 2.

3.3 This action is recommended for the following reasons:-

- The Opera software has served the Finance Section and Council well for a significant number of years;
- Significantly less installation time would be required to upgrade the system rather than replace it entirely, saving on consultancy time and providing much better value for money;
- Historic transaction data from Opera 2 could be retained and transferred over to the new system;
- Much less time would need to be spent by Finance staff setting up the new system in terms of code lists, accounting structures, reports etc.; and
- Limited training of staff would be required as they would already be familiar with the system, again saving money.

3.4 The Opera 3 system would also bring with it many enhancements over the Opera 2 system including:-

- Exporting of information to Microsoft Excel;
- Improved reporting function;
- A 'credit management centre' to improve debt management;
- Open period accounting allowing posting of corrections to previous periods or advance posting to future periods;
- Improved error correction facility;
- Retrospective reporting of debtors and creditors;
- Ability to schedule tasks at specific times;
- The ability to place additional restrictions on individual users, for example limiting users to specific cost codes and placing financial limits on the value of purchase orders;
- Enhanced integration with feeder systems such as the Torex Leisure Booking and Till System;
- Notification services to distribute messages to users;
- Improved user interface; and
- The availability of a document management module allowing electronic capture of documents and thereby saving on paper, if this was required in the future.

- 3.5 It is appreciated that there may be some advantages to testing the market and looking at other software.
- 3.6 However, new systems tend to be more expensive as they need to be set up in a way that is 'bespoke' to the requirements of the organisation. For example, the equivalent software from Sage would cost in the region of £15,000 to £20,000.
- 3.7 There would also be significantly higher installation costs to implement a brand new system with TSG estimating an installation time of 10 to 15 days as opposed to 2 days to upgrade Opera 2 to Opera 3.
- 3.8 This would also apply to the cost of training which would be much more limited with a system upgrade, while there would also be a much higher risk of post installation problems with a new system, which may also bring with them a cost to put right.
- 3.9 It is therefore considered that the advantages and savings that would be made by remaining with the tried and tested Opera software would far outweigh the limited benefits of looking at new systems.

#### **4.0 Impact on Great Aycliffe Town Council**

- 4.1 A sound financial management system is essential to ensuring the efficient and effective management of the Council's finances.
- 4.2 Support for the current software is likely to be withdrawn in the near future and the Council therefore needs to consider the options for upgrading or replacing the existing system now.

#### **5.0 Policy Implications**

- 5.1 Assists in the delivery of the following Council Strategic Aims: –

*Aim 1 - "To provide good quality governance and management of the Council"*

*Aim 2 - "To manage the Council's finances and assets in a responsible manner".*

#### **6.0 Staffing Implications**

- 6.1 The financial management system is essential to the day to day work of all officers of the Council's Finance Section as well as all other senior officers of the Council and administrative and clerical staff.
- 6.2 Upgrade of the existing software would have limited staffing implications. There would be two days installation time undertaken on the Council's behalf by TSG and there would be 'down time' of approximately half a day.
- 6.3 Finance staff would be required to spend time testing the system and ensuring that that all financial information was transferred accurately.

- 6.4 Some limited training may also need to be arranged for all users to get them used to the new system.
- 6.5 Replacement of the existing system with a completely new system would have significant staffing implications both for Finance staff and other staff, both in terms of installation time, down time and training in the use of a new system.

## **7.0 Financial Implications**

- 7.1 Budget provision of £10,000 has been set aside within the 2014/15 Capital Programme Budget for the replacement of the financial management system.
- 7.2 The current cost of the Pegasus Opera 3 Software is £9,600. This cost would be likely to increase following an end of life announcement on the Opera 2 software, driven by the likely surge in demand.
- 7.3 Two days consultancy from TSG would also be required to install the software, transfer the existing transaction history across and undertake training at a cost of £1,350.
- 7.4 The total cost would therefore be £10,950 which is slightly higher than originally budgeted.
- 7.5 However the quote provided by TSG is on the basis of licence for 12 users of the system. It is not considered that there would ever be a time when there would be 12 users accessing the system at the same time, and by reducing the number of licensed users to 10, a total of £900 can be saved, reducing the total cost to £10,050.
- 7.6 Finally there would also be an additional revenue cost to meet to fund the annual licence fee and maintenance contract. The Opera 3 maintenance contract would be £1,990, while the existing licence fee for the Opera 2 software is £1,570. This would require an additional £420 from the Information Technology Revenue Budget.
- 7.7 The existing licence fee for Opera 2 has already been paid for 2014/15 and would be refunded pro rata if the Council upgraded to Opera 3.
- 7.8 If Members support the recommendation to upgrade the current system to Opera 3, then an exemption from the Standing Orders for Contracts and Procurement will be required as the proposed expenditure is more than £5,000 and three quotes will not have been sought.
- 7.9 A Standing Orders Exemption Form is therefore attached for approval.

## **8.0. Crime and Disorder Implications**

- 8.1 None.

## **9.0 Equal Opportunities Implications**

- 9.1 None.

## **10.0 Environmental Implications**

10.1 None.

## **11.0 Risk Assessment**

11.1 It is not considered that the matters contained in this report pose a risk to the health and safety of staff or to the financial or public standing of the Council to a degree that a risk assessment should be appended to this report.

## **12.0 Recommendations**

12.1 It is recommended that Members:-

- consider the options available to the Council with regard to the possible replacement or upgrade of the financial management system;
- support the officer's recommendation that the current software is upgraded to Opera 3 at a capital cost of £10,050;
- approve the additional revenue budget requirement of £420 which can be accommodated within the IT Revenue Budget;
- approve the attached Standing Orders Exemption Form.



**Technology Services Group Ltd**  
Kingsway North  
Team Valley  
Gateshead  
NE11 0EG  
Tel: 0845 1550 261  
Fax: 0845 1550 181

# Quotation

QUO-44751-T9K1C2

TSG Contact: Steven Osprey  
TSG Account Manager: Andrew Marsh

Tel: 01698 404540  
Tel: 0191 4823000

Date: 29 Jan 2014

Contact: Dan Austin  
Customer: Great Aycliffe Town Council  
Address: Council Offices  
School Aycliffe Lane  
Newton Aycliffe  
DL5 6QF

Tel: 01325 300700  
Fax: 01325 301053  
Email: Daniel.Austin@great-aycliffe.gov.uk

Name	Description	Qty	Unit	Price	Total
Pegasus Opera III Software	Pegasus Software - Opera 3 upgrade (like for like)	1.0	Each	£9,600.00	£9,600.00
Pegasus Opera III Licence - Initial Sale	Pegasus Software - Opera 3 AMC (Annual Maintenance Contract) Your current Opera 2 AMC (£1570ex VAT) will be credited pro-rata.	1.0	Each	£1,990.00	£1,990.00
Pegasus Consultancy	2 Days Pegasus Consultancy - Install, upgrade and training	2.0	Days	£675.00	£1,350.00
<b>Total</b>					<b>£12,940.00</b>

**Payment Terms**

**SOFTWARE AND HARDWARE**

Orders greater than £5,000 require a 50% deposit, and the remaining balance within 30 days from date of invoice.

Orders less than £5,000 are due within 30 days from date of invoice.

**PROFESSIONAL SERVICES**

Orders greater than £5,000 require a 25% deposit, and the remaining balance due within 30 days from date of invoice or based on specific milestones as set out within the relevant proposal documentation (if applicable).

Orders less than £5,000 are due within 30 days from date of invoice.

**ALL ORDERS RELATING TO SYSTEMCARE**

Terms as per SystemCare contract schedule. Where no schedule exists, payment is due prior to contract start date. Please note that the SystemCare service will not be available until payment is received.

**GENERAL**

If no payment date(s) has (have) been agreed in writing then payment will be made within 30 days after the date of invoice.

All payment terms are subject to a credit assessment.

**Invoice Terms**

**SOFTWARE AND HARDWARE**

Invoicing will be upon dispatch of goods.

**PROFESSIONAL SERVICES**

Orders containing fewer than 16 days of Professional Services will be invoiced with the hardware and software element of the Order.

Orders containing 16 days or more of Professional Services will be invoiced in line with project milestones, as set out in the relevant proposal documentation or within this quotation.

Orders containing fewer than 16 days of Professional Services only will be invoiced in full upon commencement of the project.

**SYSTEMCARE**

Invoiced annually in advance

Your Order Reference:		
Customer Signature:		
Print Name:		
Position:		Date:

This quotation is subject to TSG standard terms and conditions (available at [www.tsg.com](http://www.tsg.com)) and changes by vendor.

## Contracts and Procurement Standing Orders Exemption Application Form

<b>Description of Procurement / Contract Activity</b>	<b>Responsible Officer</b>	<b>Procurement Amount £</b>
Upgrade of the Financial Management System	Mr Dan Austin	£10,050
<b>Description of the Goods, Materials, Services or Works to be Procured:</b>		
The purchase and installation of the Pegasus Opera 3 financial management system software.		
<b>Name of Contractor / Supplier:</b>		
Technology Services Group (T.S.G)		
<b>Exemption Claimed:</b>		
<p>e) Any contract or sub contract that is substantially for the undertaking of services in which the exercise of <b>professional knowledge</b> is of primary importance;</p> <p>l) Where the contract is an <b>extension of an existing contract</b> and a change of supplier would cause disproportionate technical difficulties</p>		
<b>Reason for Application for Exemption:</b>		
<p>The current Opera 2 software has served the Council well for a number of years and officers would therefore prefer to upgrade the existing software rather than source a new system.</p> <p>Upgrading would also bring with it significant savings in terms of reduced installation time and training requirements and other benefits such as historic transaction data from Opera 2 being able to be retained and transferred over to the new system and much less time needing to be spent by finance staff setting up the new system.</p> <p>In terms of the supply and installation of the new software, officers are aware from past experience of the problems that could occur due to incorrect specification or installation. Due to the risk of down time, loss of data and other problems that could occur should a company that is not familiar with the Council's computer network undertake the supply and installation, and the additional costs that this could bring, it would be preferred if the Council's retained IT support company, TSG could undertake the supply and installation of the software.</p>		
<b>Date to be Reported to Committee:</b>		
<i>Policy and Resources Committee on 5<sup>th</sup> June 2014.</i>		
<b>Authorisation</b>		
<b>Signature</b>	<b>Designation</b>	<b>Date</b>
	<b>Town Clerk</b>	
	<b>Finance Manager</b>	



