



CABINET

Subject Heading:

Oracle Cloud Upgrade (Fusion) and Application Implementation Support

Cabinet Member:

Councillor Roger Ramsey, Cabinet Member for Finance and Property

SLT Lead:

Jane West, Chief Financial Officer

Report Author and contact details:

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Policy context:

Cost Savings

Financial summary:

Project & running costs over 10 years are £11.5m.

Over 10 years the project will save between £5m to £11.5m net of the project & running costs
Payback is between 3.1 and 4.1 years

Is this a Key Decision?

Yes - Expenditure or saving of £500,000 or more

When should this matter be reviewed?

March 2019

Reviewing OSC:

Overview and Scrutiny Board

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering
Opportunities making Havering
Connections making Havering

[X]
[X]
[X]
[X]

SUMMARY

The report details the contract award in relation to the upgrade from our current Oracle Corporate Enterprise Resource Planning (ERP) System platform moving it to the next generation platform known as Fusion which is Oracle's name for its Cloud product. The Council uses Oracle ERP software to manage business critical functions such as paying staff and suppliers. The upgrade will provide improvements on existing functionality.

RECOMMENDATIONS

That Cabinet

1. Approve the implementation and upgrade from our current Oracle version to the Oracle Cloud to Go Live by April 2020.
2. Approve a budget and allocation of funding of £4.5 million from the capital programme to be funded through the government's Flexible Use of Capital Receipts scheme for Transformation Projects that deliver an ongoing saving.
3. Approve the award of :
 - Oracle Fusion Subscription licence to Oracle as a direct award with VEAT which would be a 10 year contract for a total value of £4.343m
 - A Contract to Evosys off G-Cloud 10 framework as implementation partner to implement the upgrade for a total value of £1.490m
4. Approve entering into a shared support arrangement with London Borough of Lambeth to provide expert support at the cost of £0.2m.
5. Delegate authority to the Council's Chief Financial Officer
 - to award a change management contract to embed the Clouds new ways of working in Havering, as assessment of this will be made once the project is under way and a decision will be made to see if external support is required, £0.3m is budgeted for this activity
 - in consultation with the Monitoring Officer to approve the final forms of contract and entering into such agreements necessary to give effect to the recommendations detailed in this report.

REPORT DETAIL

1. Background

The full business case for this project is attached as Appendix A giving further information and detail to support this report.

- 1.1 The existing Oracle platform supporting Havering was implemented in 2014. Oracle has advised the Council that there will be no future investment into this product resulting in risk of bugs and viruses not being fixed. This means the current version of Oracle is not future proofed and will ultimately go out of Oracle support as more and more organisations move to Oracle's latest product, Fusion Cloud. The Havering user experience will start to decline and the cost of maintaining the system will increase over time.
- 1.2 Currently our Oracle software is hosted by Capgemini as part of the One Oracle T-Gov2 agreement when six London boroughs signed a hosting agreement in 2012. Newham subsequently joined as a seventh partner and went live in 2016. Havering and Newham are the only remaining parties to that agreement as the other boroughs have moved to Fusion Cloud or other hosting arrangements. The fixed cost of being on that platform is now being borne by Havering and Newham only.
- 1.3 The new Fusion Cloud system allows a standardisation of processes, resilience in technology and certainty about costs. It enables more integration of systems which will support the efficiency agenda, provide an improved user experience and enhance our internal control. The Cloud is a well established way of hosting software.

REASONS AND OPTIONS

2. Reasons for the decision:

The Direct award to Oracle has been recommended based on

2.1 Due to the renewal dates of pre-existing contracts between Havering and other suppliers (non-Oracle) there is a compelling argument to select compliant options that would enable Havering to achieve their targeted Go-Live date in April 2020.

2.2 This would enable cost-avoidance of specific contracts (Capgemini Hosting in June 2020). This financial saving of moving to the Cloud and away from Capgemini has been built into the business case.

2.3 It is possible to procure via Frameworks but they would add:

- Additional costs of minimum 3-8%
- Complicated contracting relationship (examples include limitation on provision of Service Credits on Oracle Cloud)
- The contracts are unlikely to be executed in less than the one month which is needed to meet our April 2020 Go Live date on Fusion
- There is precedence with other local authorities using this procurement route. To-date, all former Capgemini One Oracle customers upgrading from Oracle EBS, to the Oracle Cloud platform have procured the necessary Oracle Cloud Subscription citing: Continuity of service from an existing supplier
- Services and commercial terms not available from any other supplier
- The need for an approach that provided the council with the best value

2.5 Direct Award with or without utilising VEAT is the option that has been used by a number of other councils.

2.6 Alternatives would include:

- G-Cloud 10 Max contracting term of 4 years (resulting in less favourable terms). Additional costs of between 1.5% and 2% Framework. We would need to enable a direct contracting relationship and would need three months & additional costs of between 3 - 8%.

- **Recommendations**

Having evaluated the options available and the time constraints, a direct award to Oracle via a VEAT notice is recommended for the Oracle Software subscription for a period of five years plus an option for another 5 years.

3. The award to Evosys has been recommended based on

3.1 Partner Selection

The considerations customers share with us regarding their choice in Implementation Partners:

- Reference ability – Where have the partner previously delivered the same scope of implementation within a local authority?
- Project approach – Can the Partner offer an accelerated implementation model based on pre-existing IP (“Local Government configuration”)
- Consideration encompassing the above two points: Risk vs Time vs Cost

3.2 Procurement Route

Below is a list of the procurement routes taken by other local authorities when procuring implementation services and details the routes available to the Council:

- **G Cloud 10**
- CCS RM 1042 (Framework now expired)
- **Procured via Health Trust Europe (HTE)**
- CCS RM 1058 (Framework now expired)
- CCS RM 1042 (Framework now expired)
- CCS RM 1058 (Framework now expired)
- CCS RM 1042 (Framework now expired)

Further investigation has identified that the **G Cloud 10** route supports:

1. Competitive process (if needed)
2. A timescale of 1 month
3. Low cost option (between 1.5% and 2%)

- **Recommendations**

Having evaluated the options available and time constraints a direct award to Evosys via G Cloud is recommended for Implementation Services.

Evosys are a platinum partner for Oracle and have achieved successful implementations at other London Boroughs including Lambeth, Camden and Lewisham with good customer feedback. Havering were part of the procurement panel that selected Evosys as the One Oracle Partners preferred Implementation Partner to support the move to Oracle Cloud in 2015/16.

4. Other options considered but discounted:

4.1 The other Procurement Options considered included:

Do nothing

Not viable as it could expose the Council to challenge and unnecessary costs.

Do our own OJEU regulated procurement

Not viable as timeframes do not permit and it is likely to cost more than using existing frameworks.

Use the Bloom framework for engaging with consultants

This is a viable option for the implementation partner however, it does not cover software and licences, timescales do not permit and may be more expensive than other frameworks that are available.

Use Health Trust Europe ICT Framework

This is technically a viable option for both Implementation Partner and licences elements, but this framework is meant for NHS organisations as opposed to Local Authorities so is not necessarily off the shelf and would need “tweaking” to potentially make it viable for Havering. This framework has been discounted as there are more appropriate off the shelf frameworks that can be utilised.

Use the Lambeth Oracle contract

Liaison with Lambeth Council directly has identified that Lambeth Council procured a contract in 2016 through CCS Framework RM1058, on behalf of all One Oracle participating councils, of which oneSource officers actively participated in this procurement and were part of the specification development and tender evaluation panel.

However, following consultation with Legal, this option has been discounted as Havering did not sign the contract at the time of award (2016) and have therefore not announced publicly by way of a notice in Contracts Finder any award in 2016. Lambeth have no contract documentation evidencing Havering as being a party to this contract.

4.2 A cost benefit analysis was carried out based on remaining on the ‘as is’ system and platform. This was assessed and discounted on financial grounds as well as not given us certainty around resilience and customer experience.

4.3 A joint project implementation and upgrade to the Cloud with Newham was considered but discounted due to the need to progress quickly and keep a separate governance approach.

4.4 A replacement for the current systems was considered but discounted on the basis of cost of change i.e. procurement process, hardware and software licences, implementation costs of new software opposed to an upgrade as suggested in this business case.

IMPLICATIONS AND RISKS

5. Financial implications and risks:

5.1 Project investment of £4.5m is required which is the mid range of the modelling that was done for the project, including a mid range approach to change management and a contingency of 10%.

5.2 As this is a cloud based system, the costs cannot be capitalised, however this has been classified a transformation project and as such will be funded from Capital Receipts utilising the “flexible use of capital receipts “ criteria which allows the funding of revenue costs which are transformational in nature and deliver an ongoing saving.

5.3 Project and running costs over 10 years are £11.5m (inclusive of the £4.5m one off investment). The estimated costs of the current arrangements are £16.5m over the 10 years and estimated costs of new contracts on the current platform are £23m over the 10 years. As such over 10 years the project will save between £5m to £11.5m net of the project and running costs. This is in terms of cost avoidance rather than against budget as many of the increased costs in future years are yet to be included within the MTFS. Annual running costs of Oracle Fusion are estimated between £605k to £630k compared with a budget of £820k, thus delivering a budgetary saving of between £190k and £215k per annum which will contribute towards the Medium Term Financial Strategy. Should further modules be implemented the budgetary savings will reduce accordingly.

5.4 The initial investment of £4.5m pays back between 3.1 to 4.1 years based on future budget and cost avoidance savings made by going to the Cloud subscription model.

5.5 A further breakdown of costs and financial summary are included as part of this report as per Appendix B and C respectively.

6. Legal implications and risks:

6.1 The request is for Cabinet to approve the recommendations stated above, namely the implementation of an Oracle Cloud system, Fusion, by 2020 at a cost of £4.5 million and to award the specific contracts off the stated frameworks and delegate authority to the Chief Operating Officer to procure and award contracts for change management and arrange the necessary contractual documents in respect of all the arrangements.

6.2 Service contracts over the value of £181,302 need to comply with the Public Contracts Regulations 2015 ('Regs'). Compliance with the Regs is met by utilising an existing Framework which are accessible to the Council.

6.3 The cost of moving to a new system in its entirety is prohibitive to the Council and as such has opted to award a contract to upgrade to Fusion Cloud. Where the Council considers the award of a contract to Oracle Fusion Cloud without prior publication of a contract notice, to be permitted under the Regulations, the Council can elect to publish in the Official Journal of the European Union a voluntary ex ante transparency (VEAT) notice expressing its intention to enter the contract. The Council must have grounds on which they properly consider that they may do so. VEATs alert other economic operators to the contracting authorities' intention to award the contract without publication and competition, and give them an opportunity to challenge the proposal if they consider it unlawful. If these requirements are complied with and there are no objections to the VEAT within the prescribed time, other economic operators will not be able to seek a declaration of ineffectiveness.

6.4 The Council under the Localism Act 2011 has a general power of competence, as it gives the Council the legal capacity to do anything than an individual can do, that is not specifically prohibited. In addition, the Council has a general power under section 111 of the Local Government Act 1972 to do anything that is calculated to facilitate, or is conducive or incidental to the discharge of any of its functions thus provides the Council with a general power to enter into contracts for the discharge of any of its functions such as those detailed within this report.

6.5 The Council under section 101 of the Local Government Act 1972 may arrange for the discharge of any of its functions to an officer, The Council has to be clear whether the request for delegation is clear, which power is being proposed to be delegated and the scope of the delegation. The Council is aware that any delegation will not prevent the Council from exercising those functions.

6.6 The power to make joint arrangements such as those with London Borough of Lambeth, originates, section 1 of the Local Authorities (Goods and Services) Act 1970 and sections 101, 111,112 and 113 of the Local Government Act 1972. The functions here, relate to technical know how services and related activity and these are matters within the power of the Councils.

6.7 The operation of a the programme may raise personal data issues under the General Data Protection Regulations and the Data Protection Act 2018 and the

Council's Data Protection Officer will be involved in the programme and any Data Protection Impact Assessment duly undertaken.

6.8 The recommendations in this report are in line with the Councils statutory powers, Constitution and Contract Standing Orders to achieve best value in making the most economical advantageous arrangement.

6.9 Contractual arrangements exceeding £150,000 are subject to execution under seal in line with the Councils Constitution.

7. Human Resources implications and risks:

7.1 Resourcing up to support the projects 52 weeks timescale will be a challenge, the project will be resourced from a mixture of contract resource who will backfill and Havering staff who will where possible take the lead on key decision making and be involved in the day to day running of the project. The project team will consist of approximately 20-30 full time individuals at any one time, plus when appropriate resources will be drawn from across the organization to support User Acceptance Testing.

7.2 To minimise the impact of BAU whilst implementing, detailed project planning will need to be undertaken with both the functions that will support the project delivery and the customers impacted. Stakeholder mapping will be a key activity undertaken at the start of the programme to identify key resource requirements, and the detailed project plan will in advance identify key pinch points.

7.3 Change overload on workforce is a key risk and this will be mitigated where possible by appropriate planning and engagement, backfilling to enable the project to be supported from Havering staff and by implementing a detailed communications plan to keep those impacted updated so they too can do resource and prioritisation planning.

8. Equalities implications and risks:

8.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

8.2 The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

BACKGROUND PAPERS

None

Appendices:

Appendix A - Full Business case, Appendix B - Project Costs, Appendix C – Financial Summary