

Notice of KEY Executive Decision containing exempt information

This Executive Decision is not available for public inspection as it contains or relates to exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972. It is exempt because it refers to confidential commercial information, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

Subject Heading:	Oracle Fusion Contract Renewal
Cabinet Member:	Councillor Paul Middleton
SLT Lead:	Kathy Freeman, Strategic Director of Resources and S151 Officer
Report Author and contact details:	Sean Cloake, sean.cloake@onesource.co.uk
Policy context:	Resource – A well run Council, that delivers for People and Place.
Financial summary:	Award of a 5 year contract renewal costing £2.65m
Reason decision is Key	Expenditure above £500k
Date notice given of intended decision:	21 st September 2023
Relevant OSC:	Overview and Scrutiny Board
Is it an urgent decision?	No
Is this decision exempt from being called-in?	No

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

People - Things that matter for residents

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Place - A great place to live, work and enjoy

Resources - A well run Council that delivers for People and Place. **X**

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

This report seeks approval from the Strategic Director of Resources and S151 Officer to extend the contract to Oracle for the total value of £2.65m for a further 5 years, for the use of Oracle Fusion as the Council's ERP solution.

AUTHORITY UNDER WHICH DECISION IS MADE

The Council's Constitution

Part 3B

Paragraph 3.3: Powers of the Members of the Senior Leadership Team

General powers

- (a) To take any steps necessary for proper management and administration of allocated portfolios.

Contract powers

- (b) To award all contracts with a total contract value of between £500,000 and £5,000,000.

STATEMENT OF THE REASONS FOR THE DECISION

Background

In February 2019, Cabinet approved a Project to replace the existing Oracle EBS on premise System with Oracle Fusion Cloud. The overall project and running cost was anticipated to be £11.5m over 10 years, inclusive of £4.5m in project costs for implementation.

The costs were broken down as follows:

1. £4.5m for implementation
2. £4.343m – 10 year contract with Oracle
3. £1.49m –contract for implementation services (Evosys now called Mastek)
4. £0.2m – agreement with London Borough of Lambeth to provide expert support
5. £0.3m Change Management
6. £0.67 Contingency fund

Following delays to implementation, caused by the Covid-19 Pandemic, Fusion went live in October 2020 with an implementation cost of £6.09m.

The contract with Oracle was signed for 5 years and the share support agreement with Lambeth was no longer considered necessary and was not executed.

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From conception to implementation, the Oracle Fusion project ran for 2 years.

Current Position

During the term of the contract, additional Oracle requirements (licences and infrastructure) have increased the annual contracted spend to £0.502m from an initial forecast of £0.434m.

Within the existing contract there is a clause that agrees to cap an increase of 5% predicated on the number of licences purchased being the same. Whilst not all of the licences will be required for the full 5 year duration, this is the lowest cost option available to Havering.

Based on usage and inflation increases, annual Oracle costs will be £0.53m.

Havering's Oracle Fusion is separate to Newham and there are no technical impacts of the oneSource separation.

Reasons for the decision:

In 2019 cabinet agreed a 10 year engagement with Oracle for the Council's ERP solution. The initial 5 year agreement expires in March 2024 and this contract is the 2nd 5 year term of that 10 year period.

The original implementation of Oracle Fusion in 2019/20 took 2 years and a budget of £6m to complete from conception to go live.

Whilst the implementation took 2 years, some projects of this size can take longer and 2 years should be considered a minimum. A review of the market, 1 year into the 2nd 5 year agreement will allow Officers time to assess all options and make a best value proposal on the Council's ERP solution. If a decision is made to move away from the existing solution, there will be sufficient time to sign contracts, align resources and implement a new solution in a timely and low risk manner and align with the end of the new contract.

OTHER OPTIONS CONSIDERED AND REJECTED

The options open to the Council relate to the length of the contractual term for Oracle Fusion. The alternative option is to award a shorter contract and commence a market review immediately.

Oracle Fusion is a market leading ERP system that currently meets the needs of the Council and has a continual cycle of development in place to meet changing requirements in the future.

Officers have recently implemented an improved approach to system development and a 1 year period prior to a wider review, will allow system improvements to be continually

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deployed and embedded, for a more effective review of the use of Fusion against possible alternatives in the future.

The current re-organisation and disaggregation of oneSource, including IT will have completed when the review of the market is undertaken, allowing focus on a new ERP system project to be completed, if a decision is made to move to an alternative solution.

For reasons of existing stability, having a system that we are able to continually develop as well as a better negotiating position with Oracle, Officers cannot identify any tangible benefit to agree a shorter term contract now, than was agreed under the original cabinet decision in March 2019.

For the reasons outlined above, the option of a shorter term has been rejected.

PRE-DECISION CONSULTATION

There has not been formal consultation undertaken for this decision.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Kathy Freeman

Designation: Strategic Director of Resources and Section 151 Officer

Signature:

Date:

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

Under the Public Contracts Regulations 2015 the Council awarded a contract for a period of 10years and issued the relevant VEAT notice detailing such award. The Council is now initiating the 2nd half of the contract term under the same published notice. The original contract permits the review of pricing on its renewal after the initial 5 years and this report supports the contractual mechanism for review including adjustments for user licensing.

The Council has power to procure the contract under the general power of competence contained in Section 1 of the Localism Act 2011 which allows the Council to do anything that an individual may do, subject to any statutory constraints on the Council's powers. None of the constraints on the Council's Section1 power are engaged by this decision.

Additionally, the Council has power to procure the contract under Section 111 of the Local Government Act 1972 which, permits the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The contract value is estimated to be £2.65m. This is above the threshold for services of the Public Contracts regulations 2015 (PCR). Accordingly, the contract is subject to the full rigours of the PCR.

Further legal implications are set out in exempt appendix A.
For the reasons set out above, the Council may proceed extending the contract with Oracle.

FINANCIAL IMPLICATIONS AND RISKS

The existing budget for Oracle Fusion and service support is £0.69m. This covers both the cost of licencing and hosting with Oracle and support with Mastek.

The service support provided by Mastek under an existing agreement costs approx. £0.15m per annum and the new Oracle contract will cost £0.53m per annum.

Total spend will therefore be £0.68m against a budget of £0.69m.

Budget	£0.69m
Mastek support	£0.15m
Oracle Licencing and Hosting	£0.53m
Total Spend against budget	£0.68m

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

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There are no HR implications or risks as the contract award is for the continued use of externally provided and hosted software.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

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.

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 well-being for all Newham residents in respect of socio-economics and health determinants.

BACKGROUND PAPERS

Cabinet decision for Oracle upgrade to Fusion 13th February 2019: [Decision - Oracle upgrade to Fusion | The London Borough Of Havering](#)

APPENDICES

Exempt Appendix A – Legal Implications

Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Details of decision maker

Signed



Name: Richard Tyler

Cabinet Portfolio held:

CMT Member title: Head of Finance, Acting S151 Officer in the absence of
Kathy Freeman, Strategic Director of Resources

Head of Service title

Other manager title:

Date: 29/02/2024

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____