

CABINET

21 March 2017

Title: One Oracle Successor Arrangement	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Director: Kathy Freeman, Finance Director	
Accountable Director: Claire Symonds, Chief Operating Officer	
Summary The current hosting contract for the Council's HR & Finance system (Oracle) ends in July 2018. The renewal offer from the incumbent supplier is untenable for the Council and as a result the Council needs to procure a suitable successor option to have in place by the end of the current contract. This paper sets out the options and recommends a course of action to procure replacement hosting and support for our current version of the system.	
Recommendation(s) The Cabinet is asked to: (i) Agree the procurement of a contract for the provision of installation, hosting and support services of the Council's Oracle E-Business Finance and HR system, in accordance with the strategy set out in the report; and (ii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment and the Director of Law and Governance, to award and enter into the contracts and all other necessary or ancillary agreements.	
Reason(s) The current hosting contract with Cap Gemini is due to end in July 2018. This requires us to give notice 1 year before contract end ie: July 2017 To avoid un-necessary cost and ensure that the Council is better able to maintain the delivery of the Oracle E-Business platform to meet its needs until late 2020.	

1. Introduction and Background

1.1 Oracle E-Business is the software application used by the Council to provide core Finance and HR functionality. Oracle E-business suite requires quite complex infrastructure and specialist skill sets to provide the service the Council requires. To date the required infrastructure and skills have been provided by One Oracle, a consortium arrangement between 7 London councils. The Councils involved are:

- Barking and Dagenham
- Brent
- Croydon
- Havering
- Lambeth
- Lewisham
- Newham

1.2 A key component of the One Oracle service has been the provision of hosting by Cap Gemini. The Cap Gemini hosting contract ends in July 2018 and participants in One Oracle are obliged to give notice a year earlier if they intend to exit the contract at that stage. If we do not give notice, the service can be continued at a cost that is equivalent to what the consortium pays today, however the charges per council will escalate as councils leave the Consortium to ensure that Cap Gemini continue to receive the same fee ie:

- £3M / 6 Councils = £0.5M per Council Per annum
- £3M / 2 councils = £1.5M per Council Per annum

1.3 This level of cost risk is not acceptable to any of the partners so all are considering alternative arrangements.

2. Proposed Procurement Strategy

2.1 This contract is intended to provide an as-is migration of the Council's Oracle environment from the current arrangement. It is not intended to provide new functionality or Oracle upgrades. The new contract will provide a replacement Oracle hosting platform and service for the Council's Oracle 12 services currently provided by One Oracle as well as:

- Migration service from One Oracle to the new hosting service
- Oracle product support

2.2 The estimated contract value is £3.1m and the project will seek the most advantageous economic terms available within the capability of the compliant framework selected. This will be a minimum of two years and a maximum of five years with suitable extensions to meet the business need.

2.3 The solution will be procured via a G-Cloud Framework (actual framework to be defined in consultation with Crown Commercial Services) but likely to be either G-Cloud 9 (opening in May 2017) which can offer us the required services, breadth of potential suppliers and length of contract but may be too late for our needs. RM1032 may also be considered offering the option of a longer contract period, a specialist focus on Oracle and being current right through our proposed tendering

period. G-Cloud 7 and 8 have also been considered, G-Cloud 7 closes in June 2017 and represents too high a risk of not contracting in time and needing to start again at a critical stage. G-Cloud 8 does not allow the Council to contract all 3 packages in one contract, leading to a risk around managing multiple suppliers instead of a single contract and it is a pure cloud framework which may unnecessarily limit supplier options. Once a final framework has been chosen the route to procure will be in line with Council's Procurement Rules and EU regulation- competitive tender conducted in a fair and transparent manner.

2.4 This contract will be structured into the following three work packages and financed from existing budgets currently being used to provide the Oracle E-Business service:

- a) Implementation, migration & test
- b) Hosting and level 2/3 support
- c) Oracle product support

2.5 A range of options have been considered and the proposed contract should be lower cost than the current service. The table below shows cost comparators from market testing.

	One Oracle (Comparator)	Partner Council Budgetary Proposal	Supplier A Budgetary proposal	Supplier B Budgetary proposal
Implementation Cost	N/A	Included	£204K	£280K
Annual Hosting cost inc DBA service	£600K	£535K	£360K	£300K
Oracle product support	£375K	£375K	£375K	£187.5K
Annual ongoing	£975K	£910K	£735K	£487.5K
Term Years	N/A	4	4	4
Term Total	N/A	£3,640K	£3,144K	£2,230K

2.6 Tender Evaluation Criteria will be developed in detail once the procurement framework is selected and the tender schedules are developed. They will however focus heavily on price with the split likely to be in the order of:

- Price = 70% of award criteria
- Technical solution quality = 10% of award criteria
- Ability to execute = 15% of criteria
- Other Matters = 5% of award criteria

2.7 There is a potential TUPE implication with four staff currently seconded from Elevate to One Oracle. It is possible that the Council will want them to return to Elevate or possibly to transfer them to the Council. The detail of this will be worked out in parallel with the procurement process.

2.8 This procurement is required to ensure that the Council retains core Finance and HR functionality, without which it cannot transact financial business nor deal with HR matters such as hiring and payroll. A loss of this critical service would severely degrade the Council's ability to deliver service in all wards and all services.

2.9 The table below sets out the options considered in the development of this proposal. The preferred option is option 4.

Option	Description	Advantages	Disadvantages
1	Do nothing, renew with Cap Gemini	None	Very High cost exposure
2	Move to Oracle Cloud	Oracle's latest product Cloud scalability (upward) New features Long future	High implementation cost (in house) This would be a complete re-implementation of the Oracle Service with similar levels of cost and complexity to implementing Oracle in the first place. Lack of downward scalability within contracts May not be the best product for the Council's longer term needs (too big, too complex)
3	Option to re host all One Oracle at another Council	Very similar to current service.	Medium cost Limits the Council's ability to save cost from change / re-scale services downward
4 Recommended Option	Commercial hosting option	Lowest cost Low technical risk Option for 3rd party support leading to further cost reduction Best flexibility to realise savings from scaling down in the future Best flexibility to implement rapid changes to environment	Loss of rights to future Oracle product versions if we use non-Oracle support.

2.10 The disadvantage of not having upgrade rights to future versions of Oracle products is unimportant because Oracle is now focussing its efforts on migration of accounts to its Cloud product, where other disadvantages would outweigh this one. The third-party support option, if selected, would continue to provide key software patches and necessary year-end processing support.

3. Equalities and other Customer Impact

3.1 This procurement provides, as far as is practicable, a like for like service to the one currently existing. On that basis, there are no new equalities and customer impact issues.

4. Other implications

4.1 Risk and Risk Management

Risk	Mitigation
Major business impact due to proposed changes	Change is limited to running a copy of the existing system in new hardware rather than implementing a new system. This simplifies the work considerable and removes the need for business change.
Costs arising from additional data migration activity from Cap Gemini	Synchronizing early data migrations with other One Oracle councils means that the early data cuts can be shared reducing the cost per Council.
Copies of our data being held by other councils and copies of their data being held by us	A process to be agreed between One Oracle partners for post migration removal or obfuscation of other partner's data.
Supplier is unable to execute the required changes or lacks appropriate skillsets	The tender specification will require extensive Oracle hosting, migration and support experience. Possibly requiring Oracle Gold partner status if this does not limit the competition too much.
Security of data in Cloud infrastructure	The tender specification will require ISO 27001 accreditation and compliance with a range of Government security standards.
Lack of Council resource for UAT	Clear commitment from Executive level to completing the project successfully, including prioritizing internal resources as needed for a successful outcome.

5. Consultation

5.1 The proposals in this report were endorsed by the Procurement Board on 13 February 2017. Consultation has also taken place with Council officers, relevant Elevate and Agilisys officers and One Oracle Consortium members.

6. Corporate Procurement

Implications completed by: Euan Beales, Elevate Procurement Manager

6.1 Procurement of the service needs to be complete before notice is given on the existing contract in July 2017. This limits the choices of routes to the market.

6.2 The recommended approach is to transact via a G Cloud framework contract and to consult with Crown Commercial Services to assure that the most appropriate compliant approach is used.

7. Financial Implications

Implications completed by: Stephen Hinds, Chief Accountant.

- 7.1 The cost for Year 4 of hosting (current year) with Cap Gemini is £477,345. This does not include any costs for any in-year amendments or changes to the system.
- 7.2 It is clear that the Council needs to give notice to end the arrangement with Cap Gemini given that the other members of the consortium are leaving and the financial implications of staying with Cap Gemini are prohibitive and would significantly increase the budget pressures experienced by the Council.

8. Legal Implications

Implications completed by: Bimpe Onafuwa, Contracts and Procurement Solicitor

- 8.1 This report is seeking approval to undertake a procurement exercise for the provision of implementation, hosting and support services for the Oracle system. The proposed contract is for the supply of services which are subject to the Public Contracts Regulations (PCR) 2015. Additionally, as the current estimated value of the contract, over a possible five-year period is £3.1 million, it is fully subject to the provisions of the PCR 2015.
- 8.2 This procurement also has to comply with the Council's Contract Rules. There is therefore a requirement that it be tendered competitively and that the process be transparent, non-discriminatory and that it ensures the equal treatment of bidders. Clause 2.6 of this report states that the contract will be procured from the Crown Commercial Services (CCS) G-Cloud framework. The CCS framework would have undergone a compliant tender process prior to being set up and made available for use by procuring authorities. In order to call-off this framework, the Council will have to comply with the terms and procedures for its use. Clause 2.3 also outlines the timetable for the procurement process, while clause 2.6 sets out the evaluation criteria of the tenders received. These are elements of a transparent and fair procurement process. The Law and Governance team is available to provide legal support to the procuring directorate throughout this project.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None