



**Cabinet**  
23 May 2016

**Report from the Strategic Director of  
Resources**

Wards Affected:  
ALL

**Authority to extend contract in respect of Software Licence  
Maintenance and Support**

**1.0 Summary**

- 1.1 This report seeks authority to extend the contract for software update licences and support for the council's Financial and HR/Payroll systems.

**2.0 Recommendations**

- 2.1 That Cabinet approves the extension of the contract for software update licences and support for financial and HR/Payroll systems to Oracle Corporation UK Limited for a period from 1 June 2016 to 16 May 2018.

**3.0 Detail**

- 3.1 In May 2012 the Chief Executive approved the purchase of licences for the Oracle Finance and HR/Payroll systems from Oracle Corporation UK Limited ("Oracle"), covering a 4 year period up to and including 16th May 2016. A 4 year contract for the hosting of the systems was also awarded in 2012, to Capgemini. These contracts were both jointly procured by the OneOracle boroughs, namely Brent, Croydon, Barking and Dagenham, Havering, Lambeth and Lewisham. Newham has also since joined the OneOracle partnership. All OneOracle boroughs have recently agreed to the extension of this hosting contract for 2 years, with the contract to end in July 2018.

- 3.2 It is proposed that the contract in respect of Oracle software update licences and support is also extended for 2 years. To this end a short extension for the period 17 May 2016 to and 31 May 2016 inclusive has been agreed by the Strategic Director of Resources using delegated powers. The extension of the existing contract allows flexibility for a change in arrangements in the medium term. With the end of the hosting contract, one potential option would be to move to the Oracle cloud service, which operates on a different licensing model. If the council were to migrate to Oracle Cloud before the end of the 2 year period, the pro rata value of any unused licence support period would be offset against the cost of the new licensing arrangements.
- 3.3 It is proposed that the existing contract for licences is extended. It is possible to buy the software update licences and support from resellers through a Crown Commercial Services (CCS) framework, but CCS advice is that this would be a more expensive way of doing so, as the resellers are unable to offer discounts on these Oracle services whereas the council has secured a continuing discount from Oracle. Further, as the council was able to secure a 90% discount on rates when it entered the contract in 2012, extending the existing contract is significantly cheaper than entering into a new contract with Oracle which is particularly relevant given the council's shrinking budget.
- 3.4 The costs of the renewals are shown in the table below. These include the discounting structure offered by extending the existing contract on existing usage levels by 2 years. The council has sufficient budget for such contract extension.

Two years Costs for Support and Maintenance : Financials and HR/Payroll			
Renewal Costs (£)	Year 1 discounted price (£)	Year 2 price (£)	Total (£)
261,166.25	258,605.27	258,605.27	517,210.54

#### **4.0 Financial Implications**

- 4.1 The cost of the 2 year extension is £517k. The proposal ensures that the council continues to benefit from the 90% discount on which the contract from 2012 was based. It also includes a discount for entering into a 2 year commitment.
- 4.2 It is anticipated that the cost of this contract will be funded from the Digital Services budget.

## **5.0 Legal Implications**

5.1 As indicated in paragraph 3.1, the council entered into a contract to purchase licences and support for the Oracle Finance and HR/Payroll systems to include implementation, covering a 4 year period up to and including 16th May 2016. Officers wish to extend this contract by 2 years although there is no express provision allowing for such extension.

5.2 Regulation 72 of the Public Contracts Regulations 2015 details certain circumstances in which contracts may be modified (to include extension) without a new procurement procedure. Regulation 72 (1)(b) permits modification:

*for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor—*

*(i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and*

*(ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority,*

*provided that any increase in price does not exceed 50% of the value of the original contract;*

5.3 Paragraph 3.3 details that the council is able to continue to secure a substantial discount from Oracle based on the existing current contract which means that the services received are significantly cheaper than it would be able to obtain if it procured a new contract with Oracle or other resellers (who are not permitted to discount these Oracle services). The council would therefore seem able to rely on Regulation 72 (1) (b), namely that with the council's shrinking budget, the change cannot be made for economic reasons and there would be substantial duplication of costs for the contracting authority. The value of the proposed extension (£517,210.54) also does not exceed 50% of the value of the original contract value (£1,662,776).

## **6.0 Diversity Implications**

6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

## **7.0 Staffing/Accommodation Implications (if appropriate)**

7.1 This service is currently provided by an external contractor and there are no implications for council staff arising from retendering the contract.

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