



Cabinet
15 November 2016

**Report from the Strategic Director of
Resources**

For Action

Wards affected:
ALL

Future Options For OneOracle System Hosting And Support

Appendix 1 of this report is Not for Publication

1.0 Summary

- 1.1 This document sets out proposals for the future options for the One Oracle system support and hosting arrangements upon expiration of the current contract in July 2018.
- 1.2 The contract was awarded in 2012 and the successful bidder was Capgemini. The Council is part of a 7 Council partnership which shares the hosting and support contract between the Council partners and Capgemini. The seven Councils are Barking and Dagenham, Brent, Croydon, Havering, Newham, Lambeth and Lewisham.
- 1.3 The partnership was established with the 6 original Councils in 2012 (Newham was a recent joiner who went live in 2016). The OneOracle system was implemented in August 2014. The initial contract for LOT2 - systems support and hosting with Capgemini was to expire in July 2016 but following a short market testing exercise this contract has been extended to July 2018. Procurement rules prohibit further extension, other than in exceptional circumstances.
- 1.4 The available options, which are explored in more depth in this paper and the accompanying business case, are:
 - Option 1 - Move to Oracle cloud services
 - Option 2 - Move to Oracle on premise hosted services with an alternative supplier
 - Option 3 - Move to Oracle on premise hosted service provided by the in-house ITU team.

2.0 **Recommendations**

- 2.1 That Cabinet approves the adoption of Option 3, move to Oracle on premise hosted service provided by the in-house Brent Digital Service.
- 2.2 That Cabinet approves that Brent Digital services can offer this service to other authorities as a chargeable service.
- 2.3 That Cabinet approves to delegate to the Strategic Director of Resources the award of the contract for implementation of the system.

3.0 **Detail**

- 3.1 The original aspiration of the OneOracle partnership was for it to use a private “cloud” based service, this required all partners to align their finance, procurement and HR/Payroll processes and to adopt a non customised version of Oracle, in the form of Capgemini’s T-Gov.
- 3.2 However, this did not prove practical or possible. Feedback from the business users across the Council suggests that many of the anticipated benefits have not materialized, system processes are, in some cases more complex than necessary.
- 3.3 The original business case for the OneOracle programme included a large sum for savings which were directly attributable to efficiencies in processes and the ultimate aim of joining back office transactional processing across the original 6 Councils. The savings have failed to materialise. The ambition of creating shared service centres is no longer part of the OneOracle partner’s aspirations. The current intention is to exit the partnership and for each Council to work within existing partnerships (Havering and Newham with OneSource) or on their own.
- 3.4 The partners are looking at a variety of solutions at the moment, including the Oracle Cloud offering.
- 3.5 One of the major shortcomings and challenges in the current OneOracle system has proved to be the service that the current system hosting and support partner has provided, there have been numerous instances of poor system performance, including at Go Live when a service improvement plan was invoked. From the outset this has resulted in a bad perception of the system with users viewing the system performance as poor.
- 3.6 To ensure that Brent Council is ready to move away from the current contract when it ends in July 2018, it is important to start work on the transition plan immediately. Therefore approval is needed as to which option Brent Council will adopt for the future arrangements of the Oracle ERP system.
- 3.7 As set out in paragraph 1.4 there are 3 options open to Brent regarding the future arrangements for their Oracle ERP system.

3.8 Option 1

- 3.8.1 Move to Oracle Cloud services this would enable Brent to enforce a zero tolerance on customisations and making changes to the ERP solution, as the suppliers of cloud based services do not allow the relevant access to enable customisations. This does make a system easier and cheaper to maintain. However it can cause frustration with users, until they become used to the fact that they cannot make changes to the system but that offline processes need to be changed or modified instead.
- 3.8.2 Being an early adopter of cloud based services would reinforce the reputation which Brent has built up of being at the forefront of digital innovation. There is an associated risk of taking on new software solutions early, in as far as not all bugs and issues may have been found and this can cause interruption to the business.
- 3.8.3 As local government transforms and undergoes changes imposed by reduced funding it may be a useful time to take stock and assess whether a large and expensive ERP solution fits the changing shape and requirements of the Council. Thus the Council can take some time to ascertain what the alternatives on the market are and whether they provide a better fit for future requirements.

3.9 Option 2

- 3.9.1 Move to on premise hosted solution with an alternative supplier would be relatively easy in terms of the fact that there are a number of alternative suppliers in this market. However there would still be a need to undertake a market testing and procurement exercise. It is difficult to predict exact costs. Some observers state that costs have reduced since the original contract was let, though this was certainly not borne out in the results of the contract extension recently undertaken, in fact costs increased.
- 3.9.2 This option would result in the Council having the same model as currently, except with an alternative provider and there are risks that the Council will experience similar issues as those that have arisen during the contract with the current provider.

3.10 Option 3

- 3.10.1 Move to Oracle on premise hosted service provided by the in-house IT Digital services team. It is considered that this option would provide better value for money and improvements in the service standards. Prior to August 2014 the Brent Digital IT service provided support and hosting of Oracle R11 with negligible downtime or service interruption. Since outsourcing there has been a degradation in system performance.
- 3.10.2 There would be a requirement for a capital investment in the IT infrastructure. All costs are included in the accompanying business case.
- 3.10.3 In addition to improvements in system performance and support standards there are potential benefits arising from the opportunity to sell this service to other members of the OneOracle partnership.
- 3.10.4 If the existing partners chose not to buy into a full system support and hosting offer then Brent Digital IT services will offer an archiving solution to the partner Councils. The additional cost to Brent would be minimal in terms of increased storage and

technical resources, however it is anticipated that the charge to partners would be significantly cheaper than the Capgemini offer. The Brent costs and offer prices are shown in detail in the accompanying business case.

- 3.10.5 It is estimated that the savings available to the other OneOracle partners range from 34% if a single Council bought into the Brent solution, to 49% if all 6 partners were to join. These savings are based on the estimated current costs of the support and hosting contract and internal support costs.
- 3.10.6 The level of savings compared to the cost of an Oracle Cloud Services solution are very similar to those outlined in the above paragraph.
- 3.10.7 There are potential savings from jointly implementing the R12 solution by obtaining a reduction in costs from the system implementer. This would form part of the Invitation to Tender and all options would be explored within the pricing method.
- 3.11. If an on premise solution (options 2 or 3) were taken, there are opportunities to make further savings by exploring the current arrangements for Oracle support and maintenance costs. There are a number of providers in the market who provide support and maintenance to Oracle software, they undertake to provide all regulatory and statutory patches and bug fixes at a cost of approximately 50% of current support and maintenance. This is deemed to be a significant sum, details are included in the appendix.
- 3.12 A number of public and private sector organisations have taken this route, the public sector organisations included the National Audit Office, the Financial Conduct Authority, Cambridgeshire City Council, Peterborough City Council and Slough. This would have to be explored with any of the OneOracle Councils who may choose to purchase the support and hosting option from Brent. The cost savings associated with this are not included in the figures detailed in the appendices.
- 3.13 All three of the above options would require a large reimplementation and extensive data migration and reconciliation process, this would need a number of resources and commitment from business users. It is important to recognise the need for early commitment of financial and human resources and that it is supported by senior officers from the outset. Such support will ensure the project is delivered successfully, within budget and on time.
- 3.14 Option 3 fits within the Council's Civic Enterprise goals of looking for opportunities to generate income. While all partners would be beneficiaries, Brent's gain would be the greatest as it bears most risk. Digital Services is well placed to manage that risk as it has the skillset to do so, it already runs a partnership model with Lewisham and is currently seeking to provide services to other public sector organisations. In short, this opportunity fits the risk profile of Brent Council's Digital Services business model.
- 3.15 The risk of migration is lower for option 3 as it is the only option that is likely to be delivered on time due to the smaller scale of the project than Cloud and the ability to manage all of it in-house. It is also lower risk because internal business users will have developed clear understanding of the system and having an in house team responding directly to the needs of Brent Council should allow greater stability. Furthermore, this option gives all parties the greatest flexibility in the future as it does not preclude moving to the Cloud after other organisations have road-testing the

implementation process but gives us and those who choose to procure from us the time to make decisions according to their own timeframes.

- 3.16 The total benefits to the council is a combination of revenue savings from current system support and hosting costs, (Brent could do this cheaper and to a higher standard) and potential income from providing a full support and hosting service to some or all of the other OneOracle partner Councils, or providing just an archiving solution.
- 3.17 Based on the principles of the IT Shared Service with Lewisham, if they deem to join Brent on this hosting arrangement any income, over revenue savings would be equally shared between the two Councils. If they chose another option, such as Oracle Cloud Services, then the benefit to Brent would increase.
- 3.18 If the selection of Option 3 were to be approved, there would be a need to procure the services of a system implementer. These services would be procured by inviting tenders from the Crown Commercial Services Framework RM1032, Enterprise Applications Support Services, Lot 1 Oracle E Business Suite Enterprise Application Support. The estimated value of the contract would be in the region of £700,000.
- 3.19 Due to the complexity of the project and the need to meet a strict deadline of the end of the current contract, there is no room for slippage regarding the implementation. Therefore, timelines are very tight and for this reason approval will be sought to delegate to the Strategic Director Resources in consultation with the Lead Member the award of the contract for the system implementer.

3.20 The Procurement and Selection Process for the System Implementer for Option 3.

- 3.20.1 Officers are inviting tenders from the Crown Commercial Services Framework RM1032, Enterprise Application Support Services, Lot 1 Oracle E Business Suite Enterprise Application Support. There are 11 suppliers on Lot 1 of the framework.

Using the framework will enable procurement in a shorter timescale than via a full tender, therefore saving on resources and enabling the generation of savings as soon as possible.

It is anticipated that savings on current hosting and support costs will be approximately £278k per annum.

- 3.20.2 Pre-tender considerations have been set out below for the approval of the Board

Ref.	Requirement	Response
(i)	The nature of the service.	System Implementer to carry out the transfer of the Oracle system from the current hosting and support supplier to an in house Brent solution
(ii)	The estimated value.	£700k
(iii)	The contract term.	22 months (including 3 months post go live support if required)

Ref.	Requirement	Response	
(iv)	The tender procedure to be adopted.	CCS Framework RM1032, Enterprise Application Support Services, Lot 1 Oracle E Business Suite Enterprise Application Support	
v)	The procurement timetable.	Indicative dates are:	
		Invitation to Tender	w/c 24th October 2016
		Deadline for tender submissions	11 th November 2016 (12 noon)
		Panel evaluation and supplier selection	14 th to 18 th November 2016
		Report recommending Contract award circulated internally for comment	21 st November 2016
		Award recommendation to CPB and Chief Officer in consultation with Lead Member (delegated authority to award to be sought at November Cabinet)	w/c 28 th November 2016
		Contract Mobilisation	December 2016
		Contract start date	December 2016
(vi)	The evaluation criteria and process.	<p>The Tenders will be evaluated by officers from IT and Procurement. The panel will evaluate the tenders against the following criteria:</p> <p>Price: 60%</p> <p>Quality Criteria: 30%</p> <p>Consisting of:</p> <p>PROJECT AND PROGRAMME PLANNING, MANAGEMENT AND RESOURCING Weighting 20%</p> <p>SECURITY AND AUDITABILITY: Weighting 10%</p> <p>TESTING: Weighting 30%</p> <p>DATA TRANSFER Weighting 40%</p> <p>Social Value: 10%</p> <p>The above criteria are in accordance with the framework rules and guidance.</p>	
(vii)	Any business risks associated with	No specific business risks are considered to be associated with entering into the proposed contract.	

Ref.	Requirement	Response
	entering the contract.	
(viii)	The Council's Best Value duties.	The council has a duty to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This procurement will assist the council in fulfilling this duty.
(ix)	Consideration of Public Services (Social Value) Act 2012	Social Value offerings from the tenderers will be assessed as part of the tender evaluation.
(x)	Any staffing implications, including TUPE and pensions.	No specific staffing implications.
(xi)	The relevant financial, legal and other considerations.	See sections 4 and 5 below.

4.0 Financial Implications

4.1 The re-procurement of Oracle is particularly important to Brent Council because it is the Council's core financial system and because the recent iteration has been so poorly received.

4.2 The paper does not go into specific financial details because they are commercially sensitive and contained within the main business case. However, there is no budget to pay for the set-up costs for any of the options. Therefore, it is important to note the accompanying business case is asking for one-off additional funding of between £1m and £2m, depending on the option chosen.

4.3 Effectively, there are two business cases contained within: that of archiving and that of hosting Oracle. However, the former relies on Option 3 to deliver it or for the Council to purchase new server equipment, so it was not practicable to separate it out from the main hosting procurement exercise. The business case for the former is simple as it would generate a small but significant amount of income from any organisation that was interested and it would do so at minimal cost because the Council would have capacity on the servers that Option 3 recommends purchasing.

Costs of Hosting

4.4 Option 1 has the highest set-up costs of any option because it is the implementation of a completely new system. Option's 2 and 3 costs are likely significantly overstated at the implementation stage because the only current costings currently available are for a full system implementation of a traditional model. The actual system requirements are far lower as the main change is hosting as it is the existing model of Oracle moved onto Brent's system or an alternative support partner (Options 3 and 2 respectively)..

4.5 Digital Services anticipates that it can manage one-off staff costs cheaper because it is directly in charge of the process. However, that would be counter-balanced by the need to purchase additional data centre equipment. Option 2 (with an

alternative host) has the lowest project delivery costs but Option 3 of Brent hosting it is only slightly behind.

- 4.6 It is important to note that there are no details of costs attached to correcting the multiple flaws of the current model (including the items detailed within the Atos review). However, this affects all three options and the costs of changes should in theory be cheaper if Brent implements them itself, strengthening the case for option 3. There is a separate piece of work being undertaken to determine the costs of this item.
- 4.7 The main difference between Options 2 and 3 is that Brent would not need to pay a high charge for hosting, as has happened in the past. The cost of the additional support that Brent would need to add for hosting locally should be lower than any charge from any external provider. This means that Option 3 should be significantly cheaper to Brent than option 2.
- 4.8 There are significant additional security costs attached to Option 1 that do not affect Options 2 and 3. This means it is anticipated that the costs of the Cloud is likely to be close to the costs of the alternatively hosted Option 2.
- 4.9 Detailed work on the financial implications of the support service will need to be undertaken when Officers have fully defined which partners may wish to buy into the Brent offer and to which degree (i.e. full support and hosting or just archiving). Until that time, it is difficult to determine the exact scope of the service, including any TUPE and other setup costs but they are worth bearing in mind.
- 4.10 It is envisaged that bringing the OneOracle hosting and support service back in house and having a service offer to the other OneOracle partners will help Digital Services achieve a significant saving in its revenue budget and/or count towards other Corporate savings targets. This is also an appropriate opportunity upon which Digital Services should capitalise because it takes a commercial approach to providing services and fits its risk profile. All of this means that Option 3 represents the best financial option for the Council, both in terms of cost and potential revenue streams.

5.0 Legal Implications

- 5.1 Under section 3(1) of the Local Government Act 1999, Brent Council, as a “best value authority” is under general duty of best value to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. In March 2015 the Government circulated revised Best Value Statutory Guidance and the full guidance is available here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418505/Revised_Best_Value_Statutory_Guidance_final.pdf

Officers have indicated in the report, specifically at paragraph 3.6, ways in which they consider Option 3 assist the Council in achieving best value.

- 5.2 Officers recommended option is a move to Oracle on premise hosted service provided by the in-house ITU team. In order to implement such move, officers intend to procure a contract for application support services from a framework agreement established by Crown Commercial Services (CCS). As it is intended to use a CCS framework, CSO 86(e) indicates that no formal tendering procedures are required save that the framework agreement must be approved by the relevant Chief Officer to include confirmation that there is budgetary provision for the proposed call-off contract provided that the Chief Legal Officer has advised that participation in the Framework Agreement is legally permissible with it being established in accordance with the Public Contracts Regulations 2015. All of these requirements have been confirmed.
- 5.3 The proposed contract for application support services has an estimated value of £700,000 and is therefore classed as a High Value Contract under the Council's Contract Standing Orders. Cabinet approval is required for the award of High Value contracts but for the reasons detailed in paragraph 3.13 authority is sought to delegate the award of contracts to the Strategic Director Resources.
- 5.4 Should Option 3 be agreed, the intention would be for Brent Council to sell systems support and hosting services to other members of the OneOracle partnership. [Section 38](#) of the Local Government (Miscellaneous Provisions) Act 1976 specifically permits a local authority to provide computer based services. Under this power, the local authority's charges may exceed the cost of supply. The authority may exercise this power to trade without establishing a company.
- 5.5 CMT is referred to Section 7 with regard to potential implications staff, including those arising from the Transfer of Undertakings (Protection of Employment) Regulations 2006. (TUPE)
- 6.0 **Diversity Implications**
- 6.1 An equalities impact assessment will need to be undertaken as part of any transfer of staff from any of the other Councils and any resulting restructure exercise. This will be carried out when Officers know more about the implications to ICT support staff across the OneOracle partnership. It is not possible to carry out an assessment at the current time, due to the number of possible variations; currently officers cannot know how many Councils may be interested in taking up the Brent offer to provide a hosting and support service or how many staff may be impacted on. This will be kept under constant review and an equalities impact assessment undertaken at the appropriate time
- 6.2 It is anticipated however that the joint working is likely to safeguard jobs of ICT staff at Brent to some extent, achieving savings through reduced costs, income generation and the sharing of resources with partners as opposed to having to delete posts. It is also expected that any joint team will provide a larger pool of technical resources to participating authorities, improving ICT provision to staff and therefore enabling them to deliver a better service to Brent and partner Councils and their residents.

7.0 **Staffing/Accommodation Implications**

- 7.1 It is difficult to quantify the full staffing implications of taking the service back in house and offering it to partner Councils. There will be no additional staff required to support the OneOracle system until one or more partners wish to buy into the service. Once Officers know the number of anticipated partner Councils agreement around the design of the operating model, organisational structure, new job descriptions and better understanding of TUPE requirements will be forthcoming.
- 7.2 Due to the nature of the contracts between Capgemini and the OneOracle partners it is unlikely that any individuals will be transferred pursuant to TUPE.
- 7.3 In terms of accommodation implications, it is not anticipated that there will be significant growth in staff who would have to be based at Brent. Officers will have to maintain a small local presence at the Council which they currently work for.

Background Papers

One Oracle Business Case (Appendix 1)

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