	Executive 14 November 2011 **Report from the Director of Finance and Corporate Services**
	Wards Affected: [ALL]

Project Athena – Phase 1 – Human Resources and Payroll

1.0 Summary

1.1 This report concerns the transfer of the Council's HR and payroll system from a Logica based system onto an Oracle IT platform. This report requests approval to participate in a collaborative procurement with 5 other London boroughs to establish a framework agreement for Oracle 12 Joint Service Implementation. The recommendations in this report are part of a London-wide project, Project Athena, which is supported by Capital Ambition, aimed at looking at increased integration of back-office systems and processes across London boroughs.

2.0 Recommendations

2.1 The Executive to give approval for the council to participate in a collaborative procurement exercise leading to the establishment of a framework agreement for Oracle 12 Joint Service Implementation..

2.2 The Executive to give approval to the collaborative procurement exercise detailed in 2.1 above being exempted from the normal requirements of Brent's Contract Standing Orders in accordance with Contract Standing Orders 85(c) and 84(a) on the basis that there are good financial and operational reasons as set out in the report below.

3.0 Detail

3.1 This report seeks approval from Members to complete a procurement exercise that will result in Brent transferring from its current Logica based HR/payroll system to an Oracle based HR/payroll system.

3.2 The Council's current contract for the Logica based system runs out in October 2012. Whilst theoretically it would be possible to renew the

existing agreement, in practice the system is not widely used in local government and it is unlikely that Logica would put resources into upgrading the system. The current system has limited capacity to provide the council with functionality that is expected of a modern system including high degrees of self-service and good quality information. The result is that the council retains inefficient HR processes which impact on the number of staff required in the People and Development Service Unit and means that significant numbers of staff are required throughout the organisation to carry out business support functions that are needed because of manual processes. It also makes it very difficult for the council to carry out effective workforce planning and management at a time of significant change as a result of budget reductions.

3.3   The council has recently rolled out the Oracle financial system across the council and there is a good business case to consolidate all the council's main back office systems on the one IT platform. In addition, work is being carried out on a London-wide basis to develop a co-ordinated approach to use and upgrade of back-office systems.

3.4   This cross-London project is managed through the One-Oracle Group – which is part of a wider project looking at integration of back office systems called Project Athena. The One-Oracle Group formed a Joint Services Procurement Group (JSPG) to explore the potential of approaching the market as a partnership, rather than as individual local authorities. Capital Ambition supported this initiative and has provided funding to the lead partners (Havering, Lambeth and Lewisham) to set up a procurement exercise that will result in a contract framework (the "Framework") for all One Oracle members to access. The Framework will contain 'Lots' for procuring systems integration, the services of a Data Hosting service (remote data centre), and Support and Maintenance of the systems.

3.5   The aim of this co-ordinated work is to:

a. enable the councils involved in upgrading to the new version of Oracle (version 12) – or moving onto Oracle HR/Payroll for the first time - to procure support for that upgrade on a joint basis. Funding to support the procurement process has been provided by Capital Ambition which reduces the overall procurement costs. In addition, by procuring support for the procurement collectively, there is an expectation that economies of scale will reduce the cost of bids.

b. allow councils to share the hosting of the hardware needed to support the system. This means that individual councils will not have to incur costs maintaining and upgrading the hardware although there will be costs in paying for hosting;

c. provide long term resilience to changes in the IT required to run the system by ensuring that any costs involved will be shared with others using the system;

d. provide options in the longer term to look at closer integration of back office processes leading potentially to the sharing of services between councils which have adopted the same IT platform.

3.6 The initial cost of implementation of the new system is estimated at £1.9m of which £1.4m is estimated to be external costs and £500k would be internal implementation costs. The benefits from the project included in the business case are as follows:

a. savings from staffing reductions within the People and Development Service Unit estimated at £368k per annum (amounting to £1.840m over a 5 year period);
b. savings in other parts of the organisation from more efficient process of up to £799k per annum (£3.995m over a 5 year period);
c. increased automation of process and reduced paper helping the council to take full advantage of the opportunities for modern ways of working provided by the move into the Civic Centre;
d. cleansing of data as part of this project enabling the move to a Brent core contract for staff which will ensure improved consistency of terms and conditions;
e. improved people management, including more consistency in processes, better workforce planning, and better management information;
f. improved sharing of information with other authorities for benchmarking and other purposes.

3.7 The proposed tender is to establish a framework agreement for Oracle 12 Joint Service Implementation. The Framework will be split into 3 lots namely:

- Lot 1 (Systems Integration and new functionality)
- Lot 2 (Systems Housing Solutions)
- Lot 3 (Software support and maintenance for Oracle E-Business Suite)

A single organisation will be appointed to each lot. The Framework will be for a period of 4 years although individual call-off contracts may last for longer. Once the Framework is established, eligible authorities (including Brent) will be entitled to call-off those lots they require. Currently, Officers consider that Brent will need to call off Lot 1 on the letting of the Framework. This will involve the engagement of a Systems integrator to assist the Council to install and configure a completely new HR/payroll system based on an Oracle platform. The move from one system to another is complex and requires the support of external experts to ensure that the implementation is effective, including ensuring that business process changes, staff training and data cleansing are all effective. The implementation will require considerable commitment from internal and external resources to guarantee a successful and sustainable project outcome.

3.8   The procurement exercise is being led by the London Borough of Lambeth but there are five other active partner boroughs (Lewisham, Croydon, Barking & Dagenham and Havering). Brent has been involved in the planning for the procurement exercise since it joined the One Oracle Group. To express commitment to the procurement approach, Officers have signed a Memorandum of Understanding that links the objectives of Project Athena with the ambitions of the One Oracle Group.

3.9   Whilst Lambeth is the lead authority for the procurement, the development of the technical specification, the Pre-Qualification Questionnaire (PQQ), the setting of evaluation criteria (these will be based on a 50/50 price/quality split) and the Invitation to Tender (ITT) is being done on a collaborative basis with input from all members of the One Oracle Group. It is proposed that assessment of PQQs and the evaluation of bids for each lot will be carried out by a joint panel of officers form the One Oracle Group. Once the Framework has been established, individual authorities will have the option to call-off the Framework for the lots they consider appropriate.

3.10   A restricted procurement process is being used to procure the Framework. The timetable for this procurement assumes award of the Framework in February 2012. As detailed in paragraph 3.7, currently Officers consider that Brent will need to call off a contract under Lot 1 on the letting of the Framework which will involve the engagement of a Systems integrator to assist the Council to install and configure a completely new HR/payroll system based on an Oracle platform. This would require mobilisation of the implementation phase from April 2012.   There will be testing of the new system from August 2012 with a Go Live date of October 2012. Officers would in due course seek Executive approval to award such call-off contract.

3.11   There are significant risks associated with the project that will be managed as part of the project implementation. These are as follows:

Risk	Mitigating action
There is a risk to the security of data held in shared data centres, particularly those located in the United States where the government can request access to any data that is held in a data centre (regardless of where it is located) that is managed by a US based company or any company that has significant market presence in the USA.	1. Monitoring of the risk during the procurement process. 2. Assessment of risk versus benefits prior to letting the contract. 3. Fall back option that the council continues to host the system in its own data centres.
Failure to implement Oracle HR before the Logica contract expires will result in additional contract	1. Effective project management of both procurement and implementation phases

extension costs.	2. Ensuring sufficient5 project resource to deliver the project on time. 3. Discussions to be held with Logica about implications of potential contract extension
Ensuring continued senior commitment and leadership in a difficult changing environment as differing priorities may emerge within partner authorities impacting project deliverables.	1. Project Athena governance arrangements across London 2. One Council Programme project governance arrangements in Brent
Possible disengagement with the project by operational teams through nervousness of shared services and lack of trust in management.	1. Involvement of employees during the design and build phase 2. Proactive communications with stakeholders as part of a change management programme.
Estimates of costs and savings in the business case are not achieved	1. The estimates of costs and savings are based on an assessment by external consultants of similar projects and an assessment of the current position within Brent 2. The business case will be updated at each stage of the project to ensure that the assumptions used in the business case still apply 3. Measures will be put in place to capture savings from this project, including those directly within the People and Development Services Unit and those arising from efficiency savings in other parts of the organisation.

3.12   As detailed in paragraphs 3.5 and 3.6, Officers consider that there are good financial and operational reasons to participate in the collaborative procurement of the Framework. It has been agreed by the One Oracle Group that Lambeth will lead on the procurement. There are some differences between Lambeth's and Brent's Contract Standing Orders and Financial Regulations. As Lambeth are leading on the procurement however, Officers consider that there are good financial and operational reasons why Lambeth's Contract Standing Orders and Financial Regulations rather than Brent's should be used. As a result approval is sought for the collaborative procurement to be exempt from the normal requirements of Brent's Contract Standing Orders and Financial Regulations.

3.13   Once evaluation of tenders has concluded, Officers would intend reporting the proposed award of the Framework to the Executive and also seeking approval to the award of any call-off contracts from the Framework. Taking part in the collaborative procurement will not

however impose any commitment to potential tenderers that Brent will enter into any call-off contracts under the Framework.

4.0   Financial Implications

4.1   The application of the Council's Contract Standing Orders and EU Regulations to this Framework is set out in the Legal Implications Section below.

4.2   The cost of leading the procurement process for the Framework is being met by monies received from Capital Ambition. Costs incurred by Brent in participating in the procurement process will be met within existing budgets.

4.3   As detailed in paragraph 3.7, currently Officers consider that Brent will need to call off a contract under Lot 1 on the letting of the Framework which will involve the engagement of a Systems integrator to assist the Council to install and configure a completely new HR/payroll system based on an Oracle platform. The estimated value of this contract is £1.481m.

4.4   The total costs of implementation are estimated at £1.887m after taking account of costs already allowed for within council budgets. Most of these costs will be incurred during 2012/13.

4.5   The business case for this project includes savings of £368k per annum within the People and Development Services Unit and up to £799k per annum through efficiencies in other parts of the organisation. The payback period for investment in this project is therefore estimated at 2 years.

4.6   The up-front cost will be met through invest to save funds in a similar way to other One Council projects. The costs will be paid back from net project savings. Once costs have been repaid, savings will contribute toward addressing the council's budget gap.

5.0   Legal Implications

5.1   Approval is sought for the Council to participate in a collaborative procurement leading to the establishment of a framework agreement. Whilst Lambeth is leading on the procurement, Brent will have the right to make call-offs over the lifetime of the Framework.

5.2   The framework is being procured by means of a collaborative procurement exercise. Under Contract Standing Orders 85(c) such collaborative procurements need to be tendered in accordance with Brent Standing Orders and Financial Regulations, unless the Executive grants an exemption in accordance with Standing Order 84(a). A request for an exemption under Standing Order 84(a) can be approved by the Executive where there are good operational and / or financial

reasons, and these reasons are set out in paragraphs 3.5 and 3.6 above.

5.3   The estimated value of the Framework over its lifetime is higher than the EU threshold for Services under the Public Contracts Regulations 2006 ("the EU Regulations"). As computer and related services are classed as Part A Services under the EU Regulations, the Framework must be procured fully in accordance with such legislation, to include advertising the framework agreement in the Official Journal of the European Union. The EU Regulations also ensure that the duration of a framework is required to be up to 4 years.

5.4   Following the evaluation of tenders, Officers will report back to the Executive explaining the process undertaken regarding the proposal to appoint one organisation to each of the three lots under the Framework. Officers will also report to the Executive in accordance with Contract Standing Order 86(d) seeking authority to award any call–off contracts from the Framework.

5.5   At the current time, Officers have not made any firm decisions as to what contracts will be called off from the Framework and therefore it is not possible to advise whether the Transfer of Undertaking (Protection of Employment) Regulations 2006 ("TUPE") are likely to apply. Members are however referred to Section 7 below for further details of possible staffing / employment implications.

6.0   Diversity Implications

6.1   This project will provide HR online self-service to all Council staff. HR self-service forms part of the New Ways of Working ("NWW") objective and is therefore being discussed in forums relating to the new civic centre move. Issues such as access to IT equipment will be address in the NWW forum.

7.0   Staffing/Accommodation Implications (if appropriate)

7.1   This service is currently provided by HR and payroll back office transactional staff and it is anticipated that staff numbers will be reduced in these areas. This will also reduce the demand for office space.

7.2   Full staffing implications are not known at this stage and will be largely dependent on what lots the council decides to call-off from the framework. It is likely however that this project will utilise 'cloud' technology that will be hosted, managed and maintained remotely. There could therefore be some impact on the Council's ITU support staff. The proposed system will require some ITU staff to be trained in Oracle Release 12 systems.

8.0   Background Papers

8.1   Project Overview – Policy Group

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