

	<p style="text-align: center;">Executive 23 April 2012</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Services</p>
<p style="text-align: right;">Wards Affected: ALL</p>	
<p>Authority to award contract for the to implement an Oracle R12 HR/payroll system</p>	

Appendix 2 of this report is not for publication

1.0 Background

- 1.1 Brent plans to replace its underperforming Logica based HR/Payroll system with a proven HR/payroll system that will provide self-service, streamlined processes, improved functionality and quality management information and to upgrade its financial system to Oracle R 12.
- 1.2 This report requests authority to award contracts as required by Contract Standing Order No 88. This report summarises the process undertaken in tendering framework **agreements** and, recommends the award of call-off contracts.

2.0 Recommendations

- 2.1 That the Executive note the collaborative procurement process undertaken for Oracle 12 Joint Service Implementation Services and the award of Framework Agreements by Lambeth to Capgemini UK plc for the implementation of Oracle R12 HR/payroll. The contract awarded to Capgemini is divided into:
 - Lot 1 (Systems Integration and new functionality)
 - Lot 2 (Systems Housing Solutions)
- 2.2 That the Executive authorise the Director of Finance and Corporate Services to award two contracts to Capgemini plc by calling off from the framework described in paragraph 2.1 for the provision of Lot 1 and Lot 2 services in

respect of Oracle HR and Payroll systems (Phase 1), for the reason set out in paragraph 3.49 of the report, subject to the Director of Finance and Corporate Services being satisfied that the final contract value is in line with the costs estimates in section 4 and Appendix 2 of the report.

- 2.3 That the Executive note that a further report will be brought to the Executive to outline the cost of Phase 2 and to seek agreement to re-engage with the SI for the second phase of the programme in due course.

3. Detail

- 3.1 Brent currently operates an Oracle Release 11 (R11) IT platform for its Financial and procurement processes. The HR and payroll processes utilise a Logica based system (Interact), a talent management system (ETWeb) and an online recruitment system iGrasp.
- 3.2 Oracle has announced that systems support for R11 will discontinue in October 2013 making it necessary for R11 users to obtain patches and upgrades from non-Oracle sources or from Oracle at a premium price.
- 3.3 Brent is proposing to rationalise its current IT systems by moving to a single R12 platform in two phases over a two year period. The systems rationalisation will provide Brent with a fully functioning Enterprise Resource Planning (ERP) system that will provide managers with the tools to make resource deployment decisions based on up to date financial and staffing data.
- 3.4 A rationalisation of this scale will be complex and technically challenging for Brent to complete on its own. The Pan-London Project Athena provided an ideal opportunity for Brent to work with other London boroughs to procure a contract framework to engage a Systems Integrator (SI) to assist with the implementation process.
- 3.5 The collaborative procurement is now complete and an SI has been identified. This report outlines the procurement process and seeks approval for the engagement of the SI to perform the first phase of Brent's move to R12.
- 3.6 In Phase 1 Brent plans to replace its underperforming Logica based HR/Payroll system with a proven HR/payroll system that will provide self-service, streamlined processes, improved functionality and quality management information.
- 3.7 The Council's current contract with Logica 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.

- 3.8 The implementation schedule identifies a go-live for HR/payroll in October, although a later date may be chosen for operational reasons.
- 3.9 Phase 1 will also adopt a 'cloud' solution for the storage and retrieval of data. Currently data is stored on Brent servers that are maintained by staff of the ITU. The Cloud approach locates Brent data on servers that could be located anywhere in the EU. Dedicated data warehouses have the advantages of high levels of security, resilience (interruption of services because of power failure or physical damage to servers) and ease of capacity expansion.
- 3.10 Phase 2 of the project will focus on the move from R11 to R12 Financials. The start date for Phase 2 has yet to be confirmed but it is likely that the Brent will engage with the SI again soon after the financial year end in April 2013 with a plan to go live with R12 financials and procurement in April 2014.

The Contract Framework

- 3.11 To procure the services of a Systems Integrator (SI) to implement an Oracle HR and Payroll system and upgrade the finance system to Oracle Release 12 Brent has been working collaboratively with 5 other London boroughs to procure a contract framework. The Framework has been split into 3 lots namely:
 - Lot 1 (Systems Integration and new functionality)
 - Lot 2 (Systems Housing Solutions)
 - Lot 3 (Licensing and Software Support)
- 3.12 The Framework has been established by Lambeth as lead borough in this collaborative procurement. Lambeth has agreed the award of single supplier framework agreements for Lots 1 and 2. The actual award of those framework agreements occurred on the 2nd April 2012 following the conclusion of the standstill period.
- 3.13 Currently, Officers consider that Brent will need to call off from all three lots on the letting of the Framework for Phase 1. A detailed proposal will be presented to the Executive for Phase 2.
- 3.14 Brent will access the contract framework as soon as it becomes available in May 2012 and will work with the SI to install Oracle HR/payroll for a target go-live date for payroll in October 2012.

Project Athena – The One Oracle Group

- 3.15 Brent Council is an active member of the Oracle users group (One Oracle Group) of the pan-London Project Athena. Brent worked closely with Lambeth, Lewisham, Barking and Dagenham, Croydon and Havering throughout the procurement exercise.
- 3.16 The aim of this collaboration 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.

The Tender Process

- 3.17 The procurement exercise has been led by the London Borough of Lambeth but all six active partner boroughs were involved in the planning and completion of the procurement exercise. To express commitment to the procurement approach, Officers signed a Memorandum of Understanding that links the objectives of Project Athena with the ambitions of the One Oracle Group.
- 3.18 To manage the procurement process, the Procurement Exercise Group was established to ensure that at all stages, there was appropriate input from the councils involving a significant number of officers including business unit representatives. A technology working group was established comprising ICT representatives from across the boroughs to provide guidance and support throughout the entire procurement process.

Pre-Qualification Questionnaire (PQQ)

- 3.19 The OJEU notice was published in August 2011. The evaluation of the responses at the PQQ stage was a joint undertaking across the councils led by the Procurement Exercise Group. Those involved in this stage were from five fields including Procurement, Technology, Finance, HR & Payroll and Legal. The membership of this evaluation panel was spread across the councils, with regular group meetings to discuss progress. This included use

of the Procurement Exercise Group meetings, to ensure all partners were fully briefed.

- 3.20 The Oracle 12 Joint Service Pre-Qualification Questionnaire was issued by Lambeth and Lewisham in August 2011 (and referenced the following authorities to whom the framework would be available:

Option	Wave	Combination	London Borough	County Council	Total
Active partner (Tier 1)	1	Phase 1 - Create combined instance of Oracle E-Business Suite R12	Brent (HR) Lambeth Lewisham Barking & Dagenham,		4
Active partner (Tier 1)	2	Phase 2 - Integrate existing R12 instances into combined system	Croydon Havering		2
Option open for the future (Tier 2)	3		Bexley, Bromley, City of London Hounslow (HR) Hillingdon Royal Borough of Kingston-upon-Thames Greenwich (HR) Royal Borough of Kensington & Chelsea Newham Westminster City Council	Kent	11
		Total	16	1	17

- 3.21 Bidders were invited to respond to the PQQ and were free to collaborate with other organisations to form consortia. Where a consortium was formed, bidders were required to provide detailed responses for the 'Lead Organisation' and any 'Relevant Organisation' where applicable. The

Consortia as whole had to meet all the criteria as set out in the Prequalification Questionnaire.

3.22 Responses to the PQQ were received by Lambeth in September 2011, and evaluated as per the PQQ evaluation guidance issued in the PQQ documentation. The PQQ process was used to establish the supplier's capability – allowed us to create a shortlist of the best suppliers that we then invited to tender.

3.23 Following the evaluation of each PQQ response received, the following participants were invited to Tender for each of the lots as described in this report. The suppliers invited to tender were:

Oracle 12 Joint Service - Supplier Status ITT stage	Lots		
	1	2	3
Agilisys Limited			
Capgemini			
SunGard Availability Services (UK) Ltd.			
Liberata UK Ltd.			
Oracle Corporation UK Limited			
PWC Limited Liability Partnership			
IBM United Kingdom Ltd.			
Atos IT Services UK Ltd.			
Tata Consulting Services Ltd.			
Infosys			
Parity Resources Limited			

3.24 Compliance checks in respect of each of the participants' responses were undertaken by Lambeth in accordance with the tender evaluation methodology. The key aim of the compliance checks was to confirm the completeness of the information submitted against the tender requirements. All respondents and relevant organisations submitted all the necessary information; however some of the responses received were qualified in some respects, requiring further clarification and analysis by the respective work stream leads of the evaluation; for instance, matters relating to legal aspects of the response or financial matters and assumptions.

InvitationTo Tender (ITT)

- 3.25 The development of the tender specification was coordinated by the project team at Lambeth with content provided by each of the individual councils through their members on the joint procurement exercise working group, along with significant input from a joint technology working group. Each document that formed part of the tender specification underwent significant review by both groups, with responsibility for ensuring effective engagement at individual councils resting with the appropriate members of these groups. There was a significant data gathering exercise as part of this process, to ensure that the tender specification would provide accurate and reliable data to the shortlisted suppliers, again making use of the network of officers engaged through the two groups.
- 3.26 Once the tender specification was released to shortlisted suppliers, the online EU Supply tendering system was used to manage the clarifications received. This involved assigning responsibility for developing a response to each clarification either to an individual or to either the Procurement Exercise Group or the Technology Working Group. In developing responses, there was significant engagement with stakeholders from across the partnership to ensure that suppliers received the right information and that all councils agreed on any interpretation of the tender specification. All responses were discussed within appropriate groups before being issued to suppliers.
- 3.27 As with the PQQ stage, the evaluation of submitted tender responses in the Invitation to Tender stage was a joint effort across five of the six councils. Those who had been involved in the development of the tender specification, along with select business users were assigned to the scoring group of the panel, while a significant number of business users were assigned as members of reference groups who were called upon during the evaluation period. Details of these groups and Brent's representation on these groups are included in Appendix 1 of this report. The process involved a mix of individual and group evaluation and moderation, to ensure that the final result was a collaborative effort informing the conclusion by Lambeth.
- 3.28 Evaluation for each tender response received was based on:

Quality - General Specification (for completion by all suppliers)	Quality & Performance Management Customer Service Environmental & Sustainability Programmes Health & Safety Equalities
Technical Specifications	Method Statements for each or all Framework Lots Implementation & Change Management Plans Data Protection & Intellectual Property Rights Management Added Value Contract Management
Price	Offer Price

- 3.29 Details of the results and scoring methodology for the financial evaluation are shown in Appendix 2 of this report. The financial evaluation has been performed by the financial evaluation work stream, comprising of officers from Lambeth, Lewisham, Croydon, Brent and Barking & Dagenham, the work stream lead was Head of Corporate Finance for the London Borough of Croydon.
- 3.30 It is noted that the operational obligations to be undertaken on this project are expected to extend for four years, with a co-terminus end to all contracts to be called off the framework. The London Borough of Lambeth and the partner boroughs can offer no opinion on the potential long-term future financial standings of the bidders. This must be taken into account when finalising the contractual relationship with any selected bidder by the respective partners in this exercise.
- 3.31 Reasons for award for recommended bidders for Lot 1 and Lot 2 are as detailed below.

Lot 1 - Reimplementation and Systems Integration

- 3.32 Following the Pre Qualification Questionnaire stage, in September and October 2011 a total of 8 suppliers were invited to submit a bid. Three formal bids were received on time, by the due date from:
- Capgemini UK plc
 - PriceWaterhouse Coopers Limited Liability Partnership (PwC)
 - Tata Consultancy Services Limited (TCS)
- 3.33 All three bids were thorough and comprehensive, demonstrating that each supplier had invested heavily in the preparation and submission of their bid. However, of the three tender responses received on lot 1 Systems Integrator, one tender was confirmed as non-compliant during the evaluation process.. The bids were individually scored by the evaluation panel. After individual scoring the panel came together and assessed the scores and came to a collective, moderated score. Clarifications questions were compiled and sent to suppliers in advance of the supplier interview stage. Answers were sought from their respective delivery teams.
- 3.34 The preferred bid from Capgemini UK plc provided evidence of a substantive understanding of the aims of the Joint Service project. The bid demonstrated both experience and gave a level of reassurance regarding knowledge in implementing Oracle R12 in a complex environment and the current challenges that may be faced. The bid outlined a Go Live date of April 2013 and Capgemini set out clearly they considered the Brent payroll to Go Live by October 2013 as challenging and offered a number of alternate options for the Brent solution, none of which are currently priced.

- 3.35 Cap Gemini also demonstrated they would work in collaboration with all suppliers and their bid proposed setting up a suppliers forum to help manage the inter relationships. On the whole the answers to individual questions more than addressed the question asked. Cap Gemini demonstrated a clear understanding of the challenges and opportunities that 6 boroughs working together may bring.
- 3.36 The technical response was particularly strong on project management tools and techniques offering real confidence of a well thought out and workable approach to delivering the ambitions of Programme Athena. The example documentation and techniques demonstrated an ability to hit the ground running.

Lot 2 - Hosting and Applications Support for the E-Business Suite –

- 3.37 Following the PQQ stage, in September / October, nine suppliers were invited to submit a bid and three formal bids were received on time from:
- Agilisys Limited
 - Capgemini UK plc
 - SunGard Availability Services (UK) Limited
- 3.38 After individual scoring by tender panel members, the panel came together and assessed the scores and came to a collective, moderated score. This moderation included using the technical expertise of the Lambeth DBA team; the team leader was a scoring member of this panel. Clarifications questions were compiled and sent to suppliers in advance of the supplier clarification presentation stage.
- 3.39 The preferred bidder, Capgemini UK plc provided sound evidence of a robust, secure solution. The bid demonstrated the solution offered could be flexible and responsive to the evolving needs of The Joint Service without the need to engage sub contracted support. The bid clearly set out the proposed arrangements for engaging with the potential multiple suppliers across the three lots and the number of Councils involved in the project. One suggestion was to create a suppliers forum, attended by key representatives from the Councils to manage any issues as they arise. The bid gave a high degree of reassurance to the technical members of the team in terms of their patching plan and their technical arrangements. On the whole the answers to individual questions more than addressed the question asked and demonstrated real added value to the services and strong understanding of the shared service vision.
- 3.40 Capgemini showed a clear understanding of the challenges and opportunities that 6 boroughs working together can bring, was technically competent with a strong client focused approach.

Lot 3 – Software Support and Maintenance

- 3.41 Following the PQQ stage, in September / October, seven suppliers were invited to submit a bid and one bid was received from Oracle Corporation. Unfortunately the Oracle bid non-compliant for the proposed licensing terms and was not suitable for execution or incorporation into a contract. It is therefore proposed that the restricted procedure be cancelled for this lot on the ground of absence of tenders as the lone tender received is non-compliant and unsuitable and that a negotiated procedure is adopted for the further procurement. Officer's will report back to the Executive in due course in respect of the award of a call-off contract for this lot.

The Specification

- 3.42 The service specification contains a schedule of key performance indicators for each lot within the contract. These indicators are themed on four areas of service delivery:
- Maximising productivity and improved business efficiency
 - Enhancing the reputation of the Partnership
 - Minimising Costs
 - Providing a Customer Centric Service
- 3.43 The Specification includes a service credits performance regime linked to the milestones and key performance indicators reflecting the need for the contract to be delivered in a timely manner.
- 3.44 The preferred bidder is to be given a reasonable time to meet each milestone and key performance indicator and the milestone date is to be agreed as part of the project implementation plan. A retention or percentage of the contract price is allocated to each Milestone and key performance indicator and where the preferred bidder achieves a milestone and key performance indicator by the agreed date then the Council will pay the Retention to the preferred bidder in accordance with the contract.

Value for Money

- 3.45 By working together to procure the services detailed in Lot 1 and Lot 2 will mean that Value for Money is achieved by:
- achieving economies of scale across the authorities:
 - learning from those authorities who are already on R12 and having a single instance of Oracle across all those authorities.
- 3.46 Further VFM should be achieved as tier 2 authorities' draw from the framework as there is a "finder's fee" which would then be distributed amongst tier 1 authorities and the cost of upgrades and patching would be reduced as it would only be "done" to one system.
- 3.47 In broad terms the likely savings from across the partnership are:

- Lower total cost of ERP system ownership as the future costs associated with the future upgrades and patching of the system will be greatly reduced as there will be one cost over the boroughs instead of each authority having to pay for this separately as there would only be one system to upgrade (which is a key aim on Programme Athena)
- Reduced operational and performance management staff numbers
- Reduced cost of change by each of the boroughs in Tier 1 is saving procurement costs by joining together in the procurement and the cost of the upgrade/reimplementation has been mitigated by the way the 6 tier 1 councils are working together and sharing learning and ultimately a single instance of the system, this has meant that the preferred bidder can cost this shared learning into the pricing
- Reduced costs of third party integrations
- Potential for strategic collaboration with other authorities, hence further possibilities for reducing costs. Each borough will have savings to achieve through the implementation of the single shared instance and the changes to standard practices across each of the boroughs
- As tier 2 boroughs/councils use the framework the boroughs in tier 1 will benefit from a “finder’s fee” which will contribute to the “sunk” costs of the procurement and the implementation of the single shared instance of Oracle.

Brent Call-off Contracts

- 3.48 Following award of the Framework Agreements by Lambeth for Lots 1 and 2 Brent intends to enter into call-off contracts with Cap-Gemini for both Lots for phase 1. As the Framework Agreements are single supplier frameworks Brent is able to enter into call-off contracts directly with Cap-Gemini without the need for a mini-competition. It is anticipated that call off contracts will commence on **2nd May 2012** and will be for a **four** year period. Details of the value of these contracts is contained in the Financial Implications below.

Timetable for Implementation

- 3.49 The table below shows the stages, milestones and deadlines for implementing the contract. The timetable to complete the implementation of Oracle HR/payroll by October 2012 is challenging and any delay in engaging the SI could jeopardise the go-live date. The Framework contract will become available on 2nd May and it is proposed that Brent will call off at the earliest opportunity, which will be before the Executive meeting on 21st May.

	Item Description	
1	Standstill period ends	23rd March 2012
2	Contract award and Contract mobilisation Prepare contract documents to be uploaded Update the Council's 3 year commissioning plan	2nd April 2012
3	Post contract award notice for Framework Agreements in OJEU	3rd April 2012
4	Approval by Brent Executive	23rd April 2012
5	Contract call off	2 nd May 2012
6	Mobilisation	May 2012
7	Go-Live HR/Payroll	October 2012

4.0 Financial Implications

- 4.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval of the award of the contract.
- 4.2 The estimated value of this contract is above £1million and a breakdown of revenue and capital costs are shown in Appendix 2 of this report.
- 4.3 It is anticipated that the cost of this contract will be funded in part from the OneCouncil budget. Details of the implementation, hosting and licensing costs and funding arrangements are detailed in Appendix 2 of this report.

5.0 Legal Implications

- 5.1 The value of Framework Agreements are higher than the EU threshold for Services/ and accordingly the Framework Agreements have been procured pursuant to the Public Contract Regulations 2006.
- 5.2 The values of the Brent call-off Contracts for lots 1 and 2 are also higher than the EU Threshold for Services and the award of those contracts is therefore also governed by the Public Procurement Regulations. The award is subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations.
- 5.3 The Public Procurement Regulations allow the use of framework agreements and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full EU process.

- 5.4 The Council's Contract Standing Orders state that no formal tendering procedures apply where contracts are called off under a Framework Agreement established by another contracting authority, where call off under the Framework Agreement is approved by the relevant Chief Officer and provided that the Director of Legal and Procurement has advised that participation in the Framework is legally permissible. Legal Services has been consulted throughout the procurement of the Framework Agreements and is able to confirm that participation in the Framework is legally permissible.

6.0 Diversity Implications

- 6.1 An Equality Impact Assessment was carried for the Joint Service Project and the results focused on the following areas:

- Staff affected by the establishment of the shared service.
- Staff affected by the introduction of online HR self-service.

- 6.2 An initial screening equalities impact assessment for the reimplementation to Oracle HR/ payroll R 12 has been undertaken with the following result:

Relevance identified	Race	Gender and transgender	Disability	Age	Sexuality	Faith or belief	Social and economic factors
Low/Medium /High	Low	Low	Low	Low	Low	Low	Low

- 6.3 The Shared Service, proposed as part of the Athena project, will impact on the way that back-office transactional functions are carried out by Brent. There are a number of models currently under discussion by the Joint Service Partnership, and these range from a Virtual Managed service (staff remain in their current office locations but are managed by a single manager from one of the partnership boroughs), to a centralised function (all back-office staff are located in a single office and managed on behalf of a manager employed by the partnership).
- 6.4 At this point in time the scale and the scope of the shared service is yet to be determined, but it is likely that staff from HR and Finance will be affected. It is proposed that a separate EIA will be produced for the creation of the shared service operational arrangements.

7.0 Staffing/Accommodation Implications

- 7.1 It is anticipated that the introduction of HR self service and other operational improvements will impact on staff numbers. The exact scale of staff reductions will be determined by a linked One Council project - Business Systems Processes and Support.
- 7.2 The establishment of a shared service will have an impact on staff numbers and the way that they are deployed around the borough. Proposals for a shared service model are still being developed and will be reported to the

Executive in due course. It is likely that the mobilization of a shared service will occur during or after Brent moves to R12 financials – potentially in 2014.

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Appendix 1 – Tender Evaluation Panels

1.0 Tender Evaluation –

Brent's representatives for the evaluation groups are as shown below:

Invitation to Tender Stage		
Evaluation areas	Panel Members	Tender Scoring
General Specification	Paul Davies	Y
Technical Specification Lot 1	Denis Turner	Y
Lot 1 Reference Group	Tracey Connage	N
Technical Specification Lot 2	Denis Turner	Y
Technical Specification Lot 3	Denis Turner	Y
Pricing & Financial	Denis Turner	Y
Legal	Bridget Larson	N
The Procurement Process	Paul Davies	Y
Procurement Exercise Working Group		
Paul Davies		Y
Denis Turner		Y
Technology Working Group		
Conrad Chambers		N
Denis Turner		Y