



Executive

18th June 2012

Report from the Director of Finance and Corporate Services

For Action

Wards Affected:
ALL

AUTHORITY TO AWARD CONTRACT TO IMPLEMENT AN ORACLE R12 FINANCIALS SYSTEM

1.0 Background

- 1.1 This report is supplemental to a report presented to the Executive in April 2012 which authorised the Director of Finance and Corporate Services to award two call-off contracts to Capgemini UK plc to support the implementation of a new Oracle R12 HR/ payroll system.
- 1.2 Recommendation 2.3 of that report indicated that a further report would be brought to a future meeting of the Executive to set out the case and the benefits of implementing a Oracle R12 Financials system alongside the R12 HR/ payroll system. This would give Brent a fully integrated Enterprise Resources Planning (ERP) system, common in many local authorities.
- 1.3 This report updates Members on the work to date and seeks authority to extend the scope of existing call-off contracts with Capgemini UK plc in order to provide Brent with full ERP capability on an Oracle R12 platform ahead of the original planned implementation timescale of 2013/14.

2.0 Recommendations

- 2.1 That the Executive agree to the extension of scope of the call-off contracts to be awarded to Capgemini UK plc to include implementation of a Phase 2 Oracle R12 Financials/Procurement functionality subject to the Director of Finance and Corporate Services in consultation with the Director of Strategy, Partnerships and Improvement being satisfied with the final business case and that the final contract value is in line with the costs estimates in section 3.10 of this report.

3. Detail

- 3.1 The Executive report of 23 April 2012 described Brent's current Financial and HR/ payroll IT platforms, which are a mixture of Oracle Financials Release (R11) and Logica Interact HR systems.
- 3.2 Oracle release 11 will cease to be a supported product in September 2013 and will need replacing either as a single organisation within Brent or as part of a wider consortium. Logica Interact, the current HR/Payroll solution is now unsupported and will also require upgrade regardless of decisions on Oracle R12.
- 3.2 The April report outlined the need for Brent to move to a single Oracle R12 platform with the benefits of a fully functioning Enterprise Resource Planning ("ERP") system.
- 3.3 An ERP system would provide Brent with a powerful resource planning capability and make available to managers the tools to make resource deployment decisions based on up to date financial and staffing data.
- 3.4 The April report proposed a two phase approach to achieve full ERP functionality, namely:
 - (i) Phase 1 would be taken up moving HR / Payroll from the current Logica system to the latest Oracle R12 platform.
 - (ii) Phase 2, the move from the R11 based Financials system to the R12 platform. It was planned to start in the third quarter of 2013 with a go-live date in October 2014. It was estimated at current market prices that Phase 2 would cost between £1.1 and £1.4 million.
- 3.5 As outlined in the April Executive report, Brent has been a part of a collaborative procurement with other London boroughs ("Joint Partnership boroughs") for Oracle 12 Joint Service Implementation Services which culminated in the London Borough of Lambeth awarding Framework Agreements to Capgemini UK plc ("Capgemini"). The April report authorised the Director of Finance and Corporate Services to award 2 call-off contracts from the Frameworks for Phase 1 Services. These call-off contracts for Phase 1 Services have not yet been awarded by the Director of Finance and Corporate Services. The intention was that Phase 2 would be the subject of a separate later call-off from the Framework Agreements
- 3.6 Phase 1 is well advanced and Joint Partnership boroughs have been in discussion with Capgemini to clarify the delivery plan and the resourcing requirements. During these discussions it became clear that the pricing model adopted by Capgemini spread costs evenly across all six Joint Partnership boroughs for activities such as programme management, systems design and systems development.
- 3.7 Closer examination of the pricing schedule revealed that other partners were likely to be paying only marginally more than Brent even though they were implementing total ERP solutions..
- 3.8 Capgemini confirmed that Officers' assessment of the figures was correct and that if Brent wanted to implement Phase 2 Services at the same time as implementing Phase 1 Services it would cost £193k in addition to the price quoted for the Phase 1 HR/ payroll modules.

3.9 As detailed at paragraph 3.4, it was estimated at current market prices that implementing Phase 2 separately to Phase 1 would cost between £1.1 and £1.4 million. The modules included for Phase 1 HR/ Payroll and Phase 2 Financials are shown below.

Phase 1 Oracle R12 HR/Payroll	Phase 2 Oracle R12 Financials	Phases 1 & 2 Oracle R12 E-Business Suite
HR, Payroll, HR Self Service, Performance Manager, Learning Manager, UPK	Oracle Financials, Advanced Collections, iExpenses, iSupplier Portal, Purchasing, iProcurement, Business Intelligence, Governance and Risk	All Shown in columns 1 & 2

3.10 The implementation costs for Phase 1 Oracle R12 HR/ Payroll have now been agreed with Capgemini at £998k. To include the Phase 2 R12 Financials the cost would rise to £1.19M.

3.11 Discussions have taken place at the Athena project board and consideration was given to the costs saving and the additional resource requirement for delivering the Phase 2 R12 Financials component. The board was confident that the project was well resourced for the HR/ Payroll part of the project and the work in that area is well advanced. Further consideration will be given to resourcing the delivery of the Phase 2 Financials component of the project but the board is confident that experienced staff can be allocated over the 13 month programme.

3.12 Officers are currently preparing a revised business case. Based on the figures detailed at paragraph 3.10, it is anticipated that a revised business case will confirm that the additional efficiency savings resulting from procuring both Phases 1 and 2 simultaneously, leading to the introduction of a fully functioning ERP system will provide excellent value for money.

3.13 The Executive are asked to approve the extension of the scope of call-off contracts with Capgemini to include Phase 2 Oracle R12 Financials subject to the Director of Finance and Corporate Services being satisfied with the final business case and that the final contract value is in line with the cost estimates in section 3.10 of this report.

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. The total value for Phase 1 and Phase 2 of the project exceed this figure although this report is seeking approval for the additional £193k for Phase 2.

- 4.2 It is anticipated that the cost of this contract will be funded in part from the One Council budget.

5.0 Legal Implications

- 5.1 As detailed at paragraph 3.5, Brent has been a part of a collaborative procurement with other London boroughs for Oracle 12 Joint Service Implementation Services which culminated in the London Borough of Lambeth awarding Framework Agreements to Capgemini. The Framework Agreements cover both Phase 1 and Phase 2 Services.
- 5.2 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.

6.0 Diversity Implications

- 6.1 An Equality Impact Assessment was included in the April Executive report and the findings are unchanged by the proposed changes to the Athena project.

7.0 Staffing/Accommodation Implications

- 7.1 It is anticipated that the revised business case will identify additional reductions in staff numbers, which will have implications for staff accommodation requirements going forward. These proposals do not, with the exception of Applications Support, contain proposals for the final stage of the project which is the creation of a single shared service. It is anticipated that the additional functionality of the R12 E-Business Suite will reduce the numbers of staff needed to complete back office transactional and operational activities.

8.0 Background Information

- 8.1 Executive Report and Supplementary Report – 23 April 2012

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