

5 June 2024		ITEM: 13
Cabinet		
Oracle Fusion 3-year Contract Award		
Wards and communities affected: N/a	Key Decision: Key	
Report of: Andy Best – Head of Digital and ICT		
Accountable Assistant Director: N/A		
Accountable Director: Dan Fenwick – Executive Director Corporate Services		
This report is Public		
Version: Cabinet / Final		

Executive Summary

The Council's enterprise resource management (ERM) system automates functions and processes across the Council, including in human resources, finance and procurement creating efficiencies and management information to help run the Council's business. ERM systems are a core system in most councils and are heavily integrated with other business systems used by the majority of the workforce. The Council's current provider, Oracle, was procured in 2019 from a Framework agreement, CCS Framework RM 1058 Technology Services.

This report seeks the commencement of a pre-tender exercise in August 2025, before conducting a full competitive tender exercise for an ERM system which will be awarded for a 5-year contract from 1 April 2026 with an option to be extended for a further 5 years. To enable sufficient time to effectively procure and mobilise a new system, the report further recommends the approval to extend the current contract with the current provider, Oracle, for a period of three years to ensure continuity of service. Three years is considered appropriate to allow sufficient time for a complex procurement process and sufficient time for transition between the existing and new provider.

The Council will need to carry out a pre-tender exercise that will involve talking with the wider organisation around system requirements. This information will be used to identify suppliers of potential solutions that meet this need. The outcome of this will be a tender specification and an agreement route to market. This exercise will need additional business analyst resource to conduct and will be fulfilled via a separate business case that will ask for funding to supplement the additional resources that will be required.

Commissioner Comment:

Commissioners have been consulted on the content of this report and agree with the recommendations made.

Version Control (delete as appropriate)

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1. Recommendation(s)

For the reasons set out in this report, Cabinet is recommended to agree:

- 1.1 **The commencement of a pre-tender exercise for an enterprise resource management (ERM) system in August 2025 to inform and to be followed by the commencement of a procurement process for a ERM system for a five-year contract from 1 April 2026 with an option to be extended for up to a further five years, subject to, in the Council's view, the delivery of best value by the provider.**
- 1.2 **If 2.1 is agreed, the direct award of a new contract extension for the provision of the current ERM system with Oracle Systems from 30 August 2024 to 31 August 2027 for a total fixed contract price of £1.85M by award under the Crown Commercial's Back Office Software Framework RM6194**

2. Introduction and Background

- 2.1 The current ERM system provider (Oracle) was procured by the Council in 2019. This core system supports workflows and record management for human resources, payroll, finance and procurement in the Council. The current annual contract price is £556K subject to annual uplift and expires on 30 August 2024.
- 2.2 Since its implementation in 2019, the ERM has been integral to a number of efficiencies and costs savings across the Council. It has evolved to enable a mobile and agile workforce supporting frontline services, enabling managers and officers to self-serve processes from simple matters such as approving leave, expenses to corporate budget management and financial approvals. It is also used to feed multiple systems, providing enhanced analytics and real time management information, all of which are integral to the Corporate Services' business case to deliver savings through more efficient and effective working.
- 2.3 The ERM system houses 22,000 customers for invoicing and collections to the value of £83M annually, 6000 suppliers for accounts payables completing 70K transactions annually and 3400 employee records for Payroll and Expenses which includes both Council staff and other Payroll service units such as Treetops school and Electoral staff.

2.4 Proposals

Change Programme & Re-procurement

- 2.5 The Council is currently undertaking a change programme where the provision of services will be digital by default maximising the use of technology to deliver best value. This is aimed at delivering better more responsive systems for residents and other external stakeholders but also to streamline and automate internal systems. The greater efficiency and effectiveness from digitisation will generate savings, largely by reducing the number of employees required to deliver and support services.
- 2.6 In addition to the principle of digital by default, the Council also agreed to adopt a principle of "out of the box" vanilla solutions to minimise the added cost of support, integration complexities when software packages are customised and then need to be maintained.

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- 2.7 An ERM system will form part of the Council's future digital architecture but its scope and function will evolve as the Change Programme is implemented. The Council has just agreed to commence a process of procurement for the automation of its contact management with residents and secondly a Customer Relationship Management (CRM) system to unify the management of resident information and data across systems to improve service delivery and deliver savings. The Council's requirements of a future ERM system will need to adapt as this digitisation takes place with the intention of increased efficiency and reduced costs.
- 2.8 The procurement of an ERM system and the implementation of a new provider (if that is the decision) will be a long and complex process. A major reason for failed procurements of major systems is insufficient time and planning allowed for the process especially if it requires the migration to a new system.
- 2.9 To allow for this it is therefore proposed that a two-pronged approach is taken:
- i) To commence a pre-tender discovery before conducting a procurement for a long-term contract of the ERM system. This pre-tender exercise will commence on 31 August 2025 to accommodate any migration to a new platform that may be required and allow for dual running of systems if required, Subject to further Cabinet approval; and
 - ii) Under the terms of a framework agreement, to agree to let a new contract with Oracle for three years from 31 August 2024 to 30 August 2027.
- 2.10 The rationale for this approach is:
- i) it will allow sufficient time to consider and plan, design and implement any alternative solutions;
 - ii) to allow the Council to take into account the benefits and efficiencies of the digital projects (e.g. CRM and automated contact solutions) in the Change programme;
 - iii) will ensure services remain on a stable platform and enable key efficiencies identified in the Corporate services business case to be delivered;
 - iv) deliver savings from a three-year extension by mitigating against year on year, annual indexed price increases; and
 - v) enable focus of resource and expertise on the digital change programme.

Procurement Route

- 2.11 If the recommendations are agreed, it is proposed to award a three-year agreement to Oracle under the Crown Commercial's Back Office Software Framework RM6194. The use of frameworks to procure goods and services is specifically authorised under Regulation 33(8a) of PCR 2015. The Council will in using this method, need to demonstrate any selection delivers best value.
- 2.12 A Government wide Memorandum of Understanding (MOU) is in place with the current ERM provider, which automatically applies a 70% discount against the providers list pricing, therefore while the Council is not in a position to retender for this service at present, direct awarding under the CCS Framework 's MOU pricing this provider is the most economically advantageous tender.
- 2.13 The non-financial benefits of an extension to the delivery of best value are identified above.

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Improving the user experience of Oracle

- 2.14 Feedback from services and the Senior Leadership Team is that, if the current contract extension is agreed, it is important to work with services and the provider to improve the user friendliness of the Oracle system. The standard out of the box offering will be applied unless there is a compelling business case to enhance the system. As ERMs are global systems, their terminology and processes can look and feel “clunky” to users. Three years is too long to wait without addressing this issue and it is a disincentive to employees to maximise the use of the system which in turn, the risks undermining, the realisation of the benefits of the system, that derives from universal use and adoption. Therefore, Corporate Services will proactively explore ways for improving the user experience including but not limited to (a) understanding the key areas of complaint and identifying solutions in house (b) working with Oracle to address these where possible and (c) increased and ongoing focus on training and development in using the system and “self-serve” options. **Long Term Procurement**
- 2.15 If the recommendations are agreed, officers will develop a procurement plan for the long-term procurement of the ERM software system, as set out above. This will include consideration of the most appropriate procurement route, the Council’s requirements for the system and the impact of the Change programme on this and the potential for delivering savings and efficiencies through open market competition. It is noted however that there is a limited market of suppliers and so it is important for the Council to ensure its procurement process is designed to ensure best value.
- 2.16 The initial stage will proactively include internal consultation with services about needs, issues and concerns taking into account the diversity of users from front line staff to those dependent on its more complex functionality e.g. payroll and finance. The team will also engage with other councils who have undertaken this exercise to learn best practice. A further report will be submitted to Cabinet for approval of the procurement route and process, timeline and estimated costs.

Risks

- 2.17 The key risks in relation to the recommendation at 2.2. identified at this stage are:
- i) Failure to agree a three-year extension on suitable terms with Oracle. This is assessed as low risk and the contingency is to revert to annual extensions although at higher cost.
 - ii) Annual increased costs are not as high as estimated meaning the limited saving identified is not achieved. It would not be possible to mitigate this risk as prices would be fixed but a fixed price also provides certainty, and the assessment takes into account past increases and the overall difference can be tolerated. It is more important to manage the contract well to avoid additional unexpected charges in this period, see below at iv).
 - iii) A contract extension may not achieve the best value in terms of price that would be achieved through open competition. However, the council must tolerate this risk as it is not in a position to commence a full procurement process at this time which would ensure best value and it is sensible to understand the benefits of the early stages of the Change programme when setting the council’s requirements for the longer-term procurement.

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- iv) Disengagement of the current provider if they are unsuccessful in the long-term procurement or attempts to increase costs through ad hoc charges. Effective contract management and implementation plan will be used to manage this risk and it will be kept under review and escalated as required.
- v) Failure to maximise the use and benefits of the current system. As stated above, Corporate Services will engage with services to address concerns and ensure effective use of the system.

2.18 At this stage a full risk assessment of the long-term procurement has not been undertaken. The Council is required by law to procure through open competition, and, at high level, the likely risks will include but are not limited to:

- i) The limited market of providers for this core system may limit the Council's ability to get best value;
- ii) The Council's capacity to deliver major change across all services, particularly whilst other change programmes are taking place;
- iii) Ensuring the effective implementation of any new system to maximise its benefits and ensure service continuity.
- iv) The long-term approach to the process will seek to manage and mitigate these risks through effective planning and specification of the process.

3. **Issues, Options and Analysis of Options**

3.1 The alternative options that were considered and rejected have been largely addressed above. In summary:

- i) Annual renewal of the contract is likely to be more costly and for the reasons set out above it is recommended that a period of three years is a reasonable estimate of the time required to reprocure on a long-term basis. Therefore, in practice, the flexibility of a shorter contract is unlikely to add value.
- ii) The Council will be unable to reprocure on a long-term basis now due to the short period of time. The immediate commencement of a procurement exercise will also mean that the likelihood of changing requirements arising from the Change programme cannot be taken into account.

4. **Reasons for Recommendation**

4.1 Please see above.

5. **Consultation (including Overview and Scrutiny, if applicable)**

5.1 This report takes into account feedback from the Senior Leadership Team and consultation has taken place with relevant services.

5.2 Impact on corporate policies, priorities, performance, and community impact

5.3 The alignment to the Change Programme is set out above.

6. **Implications**

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6.1 Financial

Implications verified by: **Joanne Freeman**

Accountant

25 March 2024

The cost of the Oracle ERM system will be met by the existing revenue budget within ICT.

The current cost of the contract in place (which is due to expire in Aug 2024) is £556K per year. Since its award in 2019, the ERM contract has been renewed on an annual basis. Each renewal has been subject to a 7-10% increase in costs as estimated on the table below.

The proposed three-year contract price is £1,857,687 and these costs can be met within existing budgets.

To meet the requirements of 2.1 and resource the pre-tender exercise a business case will be developed to identify the additional capacity required, when it will be required and an estimated cost of the additional capacity. This will be subject to the Council's governance process for approval. The council does have a budget provision for transformation funding.

The estimated cost avoidance for a three-year fixed term is £75K (if annual renewal costs for Year 2 and 3 are estimated at a 10% increase).

	Annual Renewal	3 Year Fixed Cost Contract
Year 1	583,900	619,229
Year 2	642,290	619,229
Year 3	706,519	619,229
Total	£1,932,709	£1,857,687

6.2 Legal

Implications verified by: **Kevin Molloy**

Principal Solicitor Contracts Team

12 April 2024

The Council has power to enter into contracts for the provision of IT systems to support the delivery of its functions under s.1 of the Localism Act 2011 (the general power of competence)

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as it has the power to do anything an individual can do. None of the limitations on the power in s.2 to 4 of the 2011 Act apply to the recommended decisions.

In procuring goods and services, the Council is required to comply with the requirements of the Public Contracts Regulations 2015 and its own Contract Procedure Rules (although the former will override the latter if there is any inconsistency). The only procurement decision in this report is to award a contract to Oracle for three years, as set out at 2.2 above and in this report. The use of frameworks to procure goods and services is specifically authorised under Regulation 33 (8a) of PCR 2015, as an open procurement process has been undertaken to procure the framework but the Council must comply with the terms of the Framework,

Cabinet is advised that the proposed award is compliant with the terms of the Framework.

The proposed award of the contract falls within the definition of essential spending under s.114 of the Local Government Finance Act 1988 notice, as it relates to essential service provision.

6.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Community Development Manager
27 March 2024

There are no direct equality implications to this decision. Under the terms of CCS Framework RM6194, social value is considered as part of the award onto the framework.

7. Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder or Impact on Looked After Children

None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

Appendices to the report

None

Report Author:

Andy Best – Head of Digital and ICT

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