

**Decision Maker:** LEADER

**Date:** For pre-decision scrutiny by Executive, Resources and Contracts Policy Development and Scrutiny Committee on 18<sup>th</sup> November 2020

**Decision Type:** Non-Urgent Executive Key

**Title:** FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND PROCUREMENT OF A REPLACEMENT FINANCIAL SYSTEM

**Contact Officer:** James Mullender, Head of Finance, Adults, Health & Housing  
Tel: 020 8313 4196 E-mail: james.mullender@bromley.gov.uk

**Chief Officer:** Director of Finance

**Ward:** All Wards

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1. Reason for report

- 1.1. As part of the IT Transformation programme, it has been recommended that reviews of Line of Business systems are undertaken to ensure they are supportable, fit for purpose and future proofed.
  - 1.2. Bromley has been using Oracle software for its main financial system since 1998. It was last upgraded to the current version (R12.1.3) in 2013 and is still hosted in the Council's data centre. The system is used by approximately 600 staff across the Council and by Liberata.
  - 1.3. The Council also has separate budget monitoring systems that were developed in-house in 2009/10 and present a risk if compatibility issues arise from future changes required by various corporate Microsoft products, as well as being at risk from a loss of support.
  - 1.4. Following an options appraisal, it is now proposed to procure Oracle Cloud ERP system for Finance functions to ensure the Council has a fit for purpose system that will meet the current and future needs of the Council.
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2. RECOMMENDATIONS

2.1. The Executive, Resources and Contracts PDS Committee is requested to:

- (a) consider the contents of the report;

## **2.2. Leader is requested to:**

- (a) consider the contents of the report;
- (b) agree a variation to the BT contract to include the procurement of Oracle's Cloud Enterprise Resource Planning system for Finance and Procurement functions for a period of 5 years with the option to extend this for up to a further five years on an annual renewal basis;
- (c) delegate authority to the Director of Finance to agree the annual renewal of the Oracle Cloud Enterprise Resource System after year 5 in consultation with the Portfolio Holder for Resources, Commissioning and Contracts Management;
- (d) note that the capital scheme budget will be reduced by £200k to reflect the current projected costs of implementing the system;
- (e) note that a report will be presented to Members for approval of a replacement HR/Payroll system during 2021.

### Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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### Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Excellent Council
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### Financial

1. Cost of proposal: Estimated Cost: Oracle licenses detailed in part 2 report, plus £1,478k other capital costs
  2. Ongoing costs: Recurring Cost: Please see the part 2 report
  3. Budget head/performance centre: Capital Programme and Financial Systems budget
  4. Total current budget for this head: £1.75m (capital) and £147k revenue
  5. Source of funding: Capital receipts and existing revenue budgets
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### Personnel

1. Number of staff (current and additional): Currently 4.7 FTEs
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement.
    - Section 151 of the Local Government Act 1972: "...every local authority shall make arrangements for the proper administration of their financial affairs..."
    - Regulation 6 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016: requirement for a separate bank account for the Pension Fund
    - Regulation 3 of The Public Procurement (Electronic Invoices etc.) Regulations 2019: requirement to accept and process electronic invoices
  2. Call-in: Applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Around 600 Council employees and 40 Liberata employees
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

### **3. COMMENTARY**

#### **3.1. Background**

- 3.1.1. The Council has been using Oracle software for its main financial system since 1998. It was last upgraded to the current version (R12.1.3) in 2013 and is still hosted in the Council's data centre.
- 3.1.2. The 'core' system is used by around 200 staff in Financial Management, departmental finance/admin staff and Liberata. In addition, there are around 400 other staff across the Council that use the Oracle I-Procurement module to raise purchase orders for goods and services.
- 3.1.3. The system currently includes the following functionality:
- a) Raising purchase orders for goods and services, including the electronic 'punch-out' to Office Depot for ordering office supplies.
  - b) Making payments to staff and suppliers, including interfaces from other Council systems such as Payroll and Pensions, IT and Highways Confirm systems, Early Years, and the social care case management system (CareFirst which is currently being replaced by LiquidLogic).
  - c) Raising invoices to customers and services users, including interfaces from other Council systems, such as CareFirst, CRM and ASH.
  - d) General ledger
- 3.1.4. Alongside this, there are separate budget monitoring systems (EBM and FBM) which were developed in-house in 2009/10 which are used by around 340 staff across the Council (mainly budget holders, senior managers and financial management staff) and a budget setting database which was developed in 2003 and is used by around 20 financial management staff.
- 3.1.5. There are also a number of other financial systems in use, such as Capita Pay360 for income management, ASH for debt management, VersionOne for invoice scanning, BACS payments, and Direct Debit collection.

#### **3.2. Current Issues/Risks**

- 3.2.1. There are a number of potential issues that have been identified which are set out below which have prompted a review of options to upgrade or replace the current system.
- a) The system is currently supported by a contract through BT, however official Oracle premium support ceases in December 2021 so there is a potential risk that the current support provider may be unable to fix any issues that arise after this date.
  - b) The hardware that Oracle runs on was last upgraded in early 2013, as part of the upgrade to R12. At the time, this was shared with CareFirst and Uniform, but these are now hosted externally so it is now unique hardware in the Council's data centre.
  - c) On-premises hardware with no off-site fail-over is a clear business continuity/resilience risk in the event of major disruption to the Civic Centre/data centre or network failure.
  - d) The current reporting tool for Oracle (Discoverer) is now out of support.
  - e) The in-house budget setting database (Budget Estimates) was developed in 2003, and uses SQL Server (hosted in the Council's data centre) with a Microsoft Access front-end.

- f) The budget monitoring applications (EBM & FBM) are currently supported by BT but there is a lack of resilience as they are relying on one member of staff who has recently been appointed to a Bromley post. Although BT would have to resolve any issues, because the systems were internally developed, there is a risk that they could be unavailable for an extended period and potentially delay the budget monitoring process.
- g) External Audit have recommended that we have separate company codes to comply with the requirement for a separate bank account for the Pension Fund. The financial system currently holds a separate coding range to identify Pension Fund transactions and balances. However, the way in which the current system was configured in 2006 means that there is no capability to establish separate organisation units (company codes). Significant development work would be required to the current system to allow the use of a separate bank account.
- h) Similarly, the work currently in progress in Housing to develop affordable housing could potentially result in the creation of a Local Housing Company. This would also require either a separate organisation unit in Oracle, or the purchase of a stand-alone system which would then complicate the production of the annual accounts as well as internal payment processes etc.
- i) With recent new business processes, we have had to look at workarounds e.g. making tax digital and electronic invoicing, which became a legal requirement for new contracts in April 2020.
- j) There is a risk that future corporate technology changes could stop Oracle working; for example various issues arose as part of the Windows 10 implementation.

### **3.3. Opportunities for Improvement**

3.3.1. In addition to the issues/risks set out above, there are a number of opportunities to make improvements to various finance related process:

- a) The ability to implement a new Chart of Accounts so that year end reporting can be improved, which also links to some of the issues raised by the External Auditors. Having more segments/hierarchies in the Council's coding structure would improve our reporting capabilities, although it would increase the work maintaining the structure. It is possible on the current system but would involve a significant amount of time and effort. This could potentially reduce or mitigate future increases in audit costs.
- b) Having a budget monitoring/planning system that is integrated with the core financial system would remove the need for separate systems and would provide one source of key financial data, and reduce reliance on multiple separate spreadsheets. There would also be just one main hierarchy for budget and purchasing authorisations.
- c) A better user experience with a modern look and feel, and better reporting/self-service for managers with dashboards and a more joined-up approach.
- d) Modern Cloud based systems generally have a regular update cycle. Whilst this means more testing is required from the systems teams, the updates are usually covered within the ongoing license costs so there is no additional cost to access benefits of future developments.
- e) Implementing a new system would allow more scope to include additional functionality, such as:

- capital/project monitoring
- a supplier portal for suppliers to submit invoices and view payment etc
- automatic processing of invoices (either electronic or through the use of Optical Character Recognition (OCR))
- workflows to remove manual paper-based payment processes and support agile working
- improved budget monitoring/planning functionality e.g. including social care data
- fixed asset accounting
- contract management system

f) In addition, some of the other financial systems referred to in paragraph 3.1.5, such as debt management and invoice scanning, could potentially be brought into a new system, reducing the need for interfaces, duplication of data and ongoing license/support costs.

3.3.2. Where these could be delivered within a replacement system purchased on a like-for-like basis then this would be considered as part of the implementation plan, possibly to be delivered after initial go-live. Where this would require the purchasing of additional modules/licenses then these would be subject to separate business cases.

3.3.3. Whilst there are some clear benefits that may produce some efficiency savings, it must be noted that additional work may be generated in other areas, such as the more frequent update testing required, and possibly some less efficient areas where bespoke systems have been replaced. As a result the replacement of the Council's financial system is not expected to generate any significant savings at this time, although this will of course be reviewed once the system has been implemented and bedded-in.

#### **3.4. The case for an Enterprise Resource Planning (ERP) System**

3.4.1. Officers have discussed the opportunity to procure an ERP system which is an integrated suite of business applications sharing business processes and data models rather than continue to procure separate 'Best of Breed' Financial and HR/Payroll systems.

3.4.2. In addition to not having to procure separate Finance and HR/Payroll systems, there are a number of benefits from having an ERP system, such as:

- a) Having a single source of key data in real time
- b) Removing duplication of data, and eliminating the potential for timing differences or even errors where data is imported between systems and reducing the need for a data warehouse
- c) Providing an integrated system for managers to view key performance data with a single login, consistent look and feel and single dashboard
- d) Improved self-service functionality
- e) Consistent system updates reducing the risk that a change to one system impacts on interface etc in another system
- f) The opportunity to later add additional elements such as Customer Relationship Management (CRM), Supply Chain Management and Asset Management
- g) Having a single organisation structure and improved establishment controls

h) Ability to better leverage future developments in artificial intelligence and machine learning

i) Having a single service level agreement

3.4.3. There is however a need to recognise that moving to an ERP system (or any cloud based system) will require changes to business processes as there is less scope to customise systems (“adopt not adapt”). Conversely, this means that systems are likely to be more consistent across local authorities using the same provider, reducing the learning curve for new employees.

3.4.4. A potential concern with implementing an ERP system encompassing Financials and HR/Payroll is the risk of delays trying to implement an entire system in one go. It is fortuitous that the Council would be able to implement the Financial System element first, with a target go-live of March 2022, which would then allow over a year to subsequently implement the HR/Payroll element before the current contract expires in June 2023. This is an approach that has been successfully delivered in other local authorities.

3.4.5. It is proposed that a replacement financial system is procured now which would allow the opportunity for HR/Payroll to later be included in the same ERP system. A report will be presented to Members for approval during 2021 for a replacement HR/Payroll system which will consider this and alternative options, and any capital financing requirements.

### 3.5. Options Appraisal

3.5.1. The current systems are currently just about fit for purpose but they are not future proofed. More and more workarounds are having to be put in place to keep the various systems working as required.

3.5.2. Some key principles of the ICT strategy approved by the Executive in November 2018 include:

- Utilise Proven Solutions within the Market Place
- Use open standards and common platforms
- Promote Self Service ICT to Citizen’s, User’s and Partner’s
- Buy Software not Build
- Build in resilience: design for failure
- Cloud First

3.5.3. The Council has considered various options which are summarised below.

Option	Advantages	Disadvantages
1. Do nothing	As is	New reporting tool required New hardware required or move to a Cloud hosted solution Not future proofed Risk of future support issues
2. Upgrade to Oracle R12.2	Oracle support until at least 2030 Able to set up separate Organisation/Unit for Pension Fund and companies Possible budget monitoring/planning solution Able to change Chart of Accounts	Major upgrade with associated costs and resource implications New hardware required or move to a Cloud hosted solution

Option	Advantages	Disadvantages
3. Upgrade to Oracle ERP Cloud	No more upgrades. Future proofed Budget monitoring/planning solution No longer reliant on third party support Includes new reporting tool Able to change Chart of Accounts Able to set up separate Organisation/Unit for Pension Fund and companies Cloud technology resilience Web based so better user experience Would allow HR/Payroll implementation after Financials	Significant implementation cost Estimated 12 month implementation
4. Test market for new provider (Cloud)	Should ensure the best combination of system functionality and price Other benefits are unknown at present	Unknown costs – we are not aware of any Local Authorities who have moved from Oracle to another system Would require the most amount of work (tendering, implementation and training) HR/Payroll would have to be implemented at the same time as Financials

### 3.6. Recommended Option

- 3.6.1. Of the options above, 3 & 4 are most likely to deliver potential benefits to the Council as well as being fully future-proofed and meeting the ICT Strategy principles.
- 3.6.2. Other than Oracle, there are only two Cloud ERP providers with established solutions in Local Government – SAP and Unit4.
- 3.6.3. Oracle have provided a quote for Oracle Cloud ERP licenses, including a 5 year price hold for HR/Payroll with no commitment to take it up. On a like for like basis (i.e. excluding the budget monitoring/planning module and recruitment), these are lower cost than the current license and support costs for both Finance and HR/Payroll systems, whilst including additional functionality and resilience. There would also be savings on periodic hardware replacement.
- 3.6.4. In addition, in considering the potential to add HR/Payroll functions at a later date, a review of the pricing for 4 alternative systems on the G-Cloud framework has indicated they would be between £24k and £101k per annum higher than the quote from Oracle.
- 3.6.5. It should also be noted that a number of other local authorities have been through a full tender process and awarded to Oracle, both where they are the current provider or moving to Oracle from their existing provider.
- 3.6.6. In addition to the cost and additional time to produce a fully detailed specification and potentially contract terms and then undertake a tender process whilst resources are facing pressures resulting from the COVID pandemic (the Social Care IT system took around 7-8 months to procure through a framework, plus the time to appoint a programme manager with

experience of tendering an implementing social care systems), it is expected that the implementation of the financial system element would also take significantly longer and at a higher cost for a provider other than Oracle, as well as likely require more changes to business processes and retraining of staff.

3.6.7. In summary, a move to Oracle Cloud ERP system would provide the following key benefits:

- Reduction in ongoing revenue costs compared to current systems
- Business continuity/resilience
- Avoids significant time and resources of one or more tenders which are unlikely to deliver a different result
- Should be implemented significantly quicker than changing providers and with less changes to process/retraining required
- Potential to incorporate the benefits of ERP in future as set out in section 3.4
- A fixed license cost for 5 years with no inflationary increases
- No need for future capital expenditure on system and/or hardware upgrades

3.6.8. It is therefore recommended that the Council implements the Oracle Cloud ERP solution for Finance functions.

### 3.7. **Procurement Options**

3.7.1. As the total contract value is in excess of the EU threshold, the process must comply with the EU Public Procurement Rules (or UK equivalent once the transition period has ended). There are several options available that would comply with this requirement, which are summarised **Error! Reference source not found.** below.

#### 3.7.2. **The Crown Commercial Services (CCS) Data and Application Solutions (DAS) (RM3821) and Back Office Software (RM6194) Frameworks**

3.7.2.1. The DAS framework started in February 2019 for software-led office systems covering services for the public sector including software licenses, associated hardware, app-related consultancy services, software support and maintenance.

3.7.2.2. The framework is made up of 14 lots with 77 providers and allows the choice of further competition or direct award route to market depending on the nature of the requirement.

3.7.2.3. However, it is understood that the framework is not ideally suited for Cloud based systems. For example, Oracle are not a direct supplier on the framework but a subcontractor.

3.7.2.4. CCS are currently expecting to award a new Back Office Software framework in May 2021 for the purchase of Software as a Service/Cloud software direct from major vendors. However this would delay any procurement process, and, as the Council experienced with the Insurance Tender in 2016 using a CCS framework which had to be discontinued, there is a risk that the framework may not be suitable, or that key suppliers are missing or non-compliant.

#### 3.7.3. **Direct award through a Voluntary Ex-Ante Transparency (VEAT) Notice**

3.7.3.1. Alternatively, the contract could be directly awarded to Oracle by using a VEAT notice, which a number of other local authorities have done in recent years.

3.7.3.2. Whilst this is a legitimate alternative to open competition or the use of a framework, other providers who consider they could have met the requirements would be able to challenge the decision.

#### **3.7.4. HealthTrust Europe and Kent Commercial Services (KCS) Frameworks**

3.7.4.1. Similar to the CCS DAS framework, the HealthTrust Europe ICT Solutions 2019 and KCS Software Products & Associated Services 2 frameworks allow the procurement through either direct award or further competition. Oracle are also not a direct provider on these frameworks, but a subcontractor to one or more of the suppliers named on the frameworks.

#### **3.7.5. BT**

3.7.5.1. The Council also has the option to procure software through its IT provider, BT.

3.7.5.2. This would help to ensure the system is procured in-line with corporate IT practices with better oversight of change control requirements etc.

3.7.5.3. The BT contract is currently due to expire in December 2023; however the contract with Oracle would include a novation clause to allow the transfer to any subsequent provider if necessary.

#### **3.7.6. G-Cloud Framework**

3.7.6.1. The Government Digital Service G-Cloud framework facilitates the purchasing of cloud hosting, software and support.

3.7.6.2. The G-Cloud framework is limited to a 2 year contract plus 2 further one year extensions. Delegated authority could be sought to re-award after this date; however this poses a risk if framework terms change, the provider is not on the new framework, or if there is no replacement.

#### **3.7.7. Recommended Procurement Option**

3.7.7.1. For the reasons set out above, it is recommended that Oracle Cloud ERP system is procured through a variation to the BT contract.

### **3.8. Implementation**

3.8.1. In order to implement the Oracle Cloud ERP system, the Council will need to award a contract to a System Integrator, who will assist with the initial preparation and design, configuration, migration, testing and deployment of the system.

3.8.2. There are a number of System Integrators with experience of implementing Oracle Cloud ERP for local authorities, and Oracle have indicated that typical System Integrator costs are around £450k for Financials.

3.8.3. Similar to the system licenses, there are a number of potential procurement options:

- Open tender process
- G-Cloud framework
- CCS Digital Outcomes & Specialists (DOS) 4 framework (due to be replaced by DOS 5 in January 2021)

3.8.4. It is proposed that the System Integrator is procured through the G-Cloud framework as this will facilitate a fairly quick procurement process whilst also ensuring a balance of cost and ability to undertake the work. Although further competition is not permitted, the award should be based on whole life costs, technical merit and functional fit, after-sales service management and non-functional characteristics.

### 3.9. Estimated Project Timetable

3.9.1. The estimated timetable for the project is set out below.

Stage	Date
Leader approval	November 2020
G-Cloud search for System Integrator	December 2020 - January 2021
Contract award for System Integrator	February 2021
Scoping & Design	March 2021 - July 2021
Environment set-up	March 2021 - May 2021
Data migration	April 2021 - September 2021
Configuration	May 2021 - February 2022
UAT and testing	October 2021 - March 2022
Training	October 2021 - March 2022
<b>Go live</b>	<b>March 2022</b>

## 4. CUSTOMER PROFILE

- 4.1. The Council's main financial system and budget monitoring systems are used by around 800 staff across the Council and Liberata.
- 4.2. The system makes payments to around 6,000 employees and pensioners on average per month, 2,100 other suppliers (12,000 invoices), and raises invoices to 2,400 customers and service users (11,000 invoices).

## 5. MARKET CONSIDERATIONS

- 5.1. There are currently three established providers of ERP Systems to local authorities: Oracle, SAP and Unit4, with Microsoft and TechnologyOne also recently entering the market.

## 6. STAKEHOLDER CONSULTATION

- 6.1. This is a corporate Council contract that does not materially affect the way services are provided to our stakeholders. No formal consultation is required in advance of a procurement exercise.
- 6.2. The Council's Exchequer Services provider, Liberata, will need to be fully engaged in the implementation.
- 6.3. In addition, regular communication will be provided to all staff who use the system, and where relevant will be consulted on potential changes.

## 7. SUSTAINABILITY / IMPACT ASSESSMENTS

- 7.1. This proposal has been judged to have little or no impact on local people and communities.

## 8. OUTLINE PROCUREMENT STRATEGY & CONTRACTING PROPOSALS

### 8.1. Estimated Contract Value

- 8.1.1. Oracle Cloud ERP licenses - detailed in the Part 2 report
- 8.1.2. System Integrator - £450k

## **8.2. Other Associated Costs**

- 8.2.1. The procurement exercise will be carried out within existing resources at no additional cost.
- 8.2.2. There will be additional costs for Liberata to undertake the specification, implementation and testing work, and for BT to implement Change Control Notices where changes are required to interface with other systems, network/firewall changes and to decommission the existing hardware.
- 8.2.3. There will also be additional resources required for project management, business change, and the backfill of existing posts.

## **8.3. Proposed Contract Period**

- 8.3.1. It is proposed that the contract will be for an initial period of 5 years with the option to extend for up to a further five years on an annual renewal basis to be agreed by the Director of Finance in consultation with the Portfolio Holder for Resources, Commissioning and Contracts Management.

## **9. POLICY CONSIDERATIONS**

- 9.1. The procurement of a fit for purpose, future proofed Financial system will enable the Council to meet the Building a Better Bromley priority of being an Excellent Council.
- 9.2. The system will also meet key principles of the Council's ICT Strategy.

## **10. PROCUREMENT CONSIDERATIONS**

- 10.1. This report seeks to directly award a contract to Oracle via the Council's BT contract for a period of 5 years, with an option to extend licenses for up to a further 5 years at the total estimated cost detailed in the part 2 report.
- 10.2. This would require a variation to the BT contract. The Council's requirements for authorising a variation are covered in CPR 23.7 and 13.1. For a contract of this value, the Approval of the Executive committee following Agreement by the Portfolio Holder, Chief Officer, the Assistant Director Governance & Contracts, the Director of Corporate Services and the Director of Finance must be obtained. Following Approval, the variation must be applied via a suitable Change Control Notice, or similar, agreed with the Provider.
- 10.3. Further to this, this report seeks to delegate authority for the annual license renewal to Chief Officers. Without delegation, the Approval of the Executive committee would be required in accordance with Section 13 of the Council's CPRs.
- 10.4. This report also seeks to proceed to procurement for a System Integrator on the G-Cloud framework at an estimated cost of £450k. In accordance with Clause 3.5 of the Contract Procedure Rules, the Head of Procurement has been consulted regarding the use of the Framework. Award of contract is within the delegated authority of a Chief Officer.
- 10.5. The relevant notices will be published following the above-mentioned procurement actions.
- 10.6. The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

## **11. IT AND GDPR CONSIDERATIONS**

- 11.1 The Council, as part of its on-going commitment to sustaining an evolved approach to data protection and information management, requires the following to be considered and evidenced for all contractors providing a service for or on behalf of the Council;
- Privacy By design and by default – adequate system and process controls must be ensured as part of the base design and implementation of the system
  - A Data Protection Impact Assessment to be carried out to ensure the protection of the rights and freedoms of data subjects as well as protect the councils statutory and regulatory processing obligations. The assessment must address the provider's need to evidence appropriate information security and management controls to safeguard personal and sensitive personal data
  - The provider is required to take all reasonable steps to assist the Council in complying with obligations regarding the rights of the Data subject – any exercise of the rights of the data subject must be actioned within 30 days where legally obliged to comply.
  - All systems hosted by the provider or their subcontractors must have adequate information security and management tools and processes in place.
  - Providers must be able to evidence have necessary GDPR compliance including, but not limited to; policies, training, register of processing activities and the appointment of a data protection officer where required
  - Contractually SLA's must be agreed to for breach notification and reporting
  - Data Sovereignty – providers that use hosted or cloud-based services must ensure they are in UK Data Centres
  - Adequate Disaster recovery agreements must be in place to ensure the service reliant on the application are brought back on line in a reasonable timescale.
  - Exit strategy: explicit determination of what happens to the information collected and stored by providers after the contract finishes must be identified, documented and actioned as appropriate.
- 11.2 Any project to implement the system must engage ISD and BT by raising a CCN in a timely manner to ensure sufficient time to manage network changes and integrations with existing applications and infrastructure.

## **12. FINANCIAL CONSIDERATIONS**

- 12.1. The current systems budget for Oracle is £128k. In addition, the debt management system (ASH) budget is £9k, and the invoice scanning (VersionOne) is £10k, which could potentially be saved in future if these functions are implemented in Oracle (the relevant license costs are already included in the proposed Oracle costs as they are included in the Cloud licenses which are now bundled).
- 12.2. The estimated costs of the proposed Oracle Cloud ERP contract are shown in the part 2 report.
- 12.3. Year 1 license costs will be charged to the capital scheme as the existing system contracts will continue during the implementation.
- 12.4. It is anticipated that there will be further efficiency savings delivered following the implementation, such as time required to input and process accounts payable invoices; however this is not quantifiable at this time and will be reported to Members in the post-completion report.

- 12.5. In addition to the license costs above, there are estimated System Integrator costs of £450k for the implementation, as well as additional internal resources for project management, backfill and business change lead, estimated at £398k.
- 12.6. The total capital expenditure for the implementation is estimated at £1,550k. Detailed costs are included in the part 2 report and summarised below:

	<b>£'000</b>
2020/21	140
2021/22	1,360
2022/23	50
	<b>1,550</b>

- 12.7. For comparison, the cost of an upgrade to Oracle R12.2 (option 2 in paragraph 3.5.3) is estimated be around £850k.
- 12.8. In February 2020, Council approved the addition of £1,750k to the Capital Programme for a replacement financial system. Following the options appraisal and estimated costing for the recommended option, the total estimated capital cost is now £1,550k so the capital scheme budget will be reduced by £200k.
- 12.9. A report detailing options for a replacement HR/Payroll system will be presented to Members for approval in 2021 which will include any capital financing requirements.
- 12.10. It should be noted that by moving to a Cloud system the Council will avoid any future capital costs for system and/or hardware upgrades, which is conservatively estimated at £0.5m over the proposed 10 year period.

### **13. PERSONNEL CONSIDERATION**

- 13.1. These are set out in the body of the report.

### **14. LEGAL CONSIDERATIONS**

- 14.1. The Council has both an implied and a specific power under section 111 of the Local Government Act.1972 to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.
- 14.2. The report explains how the provision of the Oracle Cloud Enterprise Resource System for Finance and Procurement functions and services is in support and furtherance of the council's various statutory duties requiring the provision of a corporate system and services as identified in this report.
- 14.3. The value of the services and supplies for the Oracle Cloud Enterprise Resource System is above the EU threshold level and as such would need to be procured in full compliance with the Public Contracts Regulations 2015 (Regulations). However, as the proposal is to vary the existing BT contract it is necessary to comply Regulation 72 which makes provision for modification of a contract during its term without the need to carry out a new full procurement exercise under the Regulations
- 14.4. The report has explained the reasons why Officers consider that a variation to the BT contract is the best solution to meet the Councils stated needs. These reasons would appear to fall within the permitted modifications criteria under either of both Regulation 72 (1) (a) and (b) as follows

- (a) where the modifications, irrespective of their monetary value, have been provided for in the initial procurement documents in clear, precise and unequivocal review clauses, , provided that such clauses state the scope and nature of possible modifications or options as well as the conditions under which they may be used, and do not provide for modifications or options that would alter the overall nature of the contract or the framework agreement;
  - (b) for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and would cause significant inconvenience or substantial duplication of costs for the contracting authority- provided that any increase in price does not exceed 50% of the value of the original contract;
- 14.5. Under Regulation 72 (b), this report and the Part II report show the original contract value and the estimated variation value which is below 50%. Furthermore, if this ground is used then the Council will need to publish a Modification Notice which would add to transparency.
- 14.6. Officers will need to be entirely satisfied over the Variation and the contractual arrangement entered into between BT and Oracle, in particular the future use of the system in the event of the BT contract coming to an end.
- 14.7. This report also seeks authority to proceed to procurement for a System Integrator on the G-Cloud framework at an estimated cost of £450k. Under the Regulations the procurement of these supplies and services is a public contract within the meaning of the Regulations. As the value exceeds the relevant threshold under the Regulations the Council is required to carry out a fully compliant EU Procurement exercise. The Regulations however accept compliance where the Council call-off from an EU compliant Framework which is expressed as being available to the Council. The procurement proposal is to use such a framework under the Crown Commercial Service G Cloud Framework.
- 14.8. Compliance with the Council's Contract Procedure Rules are fully set out in the Procurement comments to this report.
- 14.9. Officers should contact the legal team should they wish to seek any input on the Variations and the use of the framework and to assist in the contract formation and completion.

<b>Non-Applicable Sections:</b>	Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	