

## REPORT TO CABINET

09 October 2019

<b>Subject:</b>	<b>Appointment of EBS System Supplier and Implementation Partner</b>
<b>Presenting Cabinet Member:</b>	<b>Cllr. Wasim Ali, Cabinet Member for Resources and Core Services</b>
<b>Director:</b>	<b>Executive Director, Resources – Darren Carter</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Cabinet Member Approval and Date:</b>	Cllr W Ali 01.10.2019
<b>Director Approval:</b>	30.09.2019
<b>Reason for Urgency:</b>	Urgency provisions do not apply
<b>Exempt Information Ref:</b>	Exemption provisions do not apply
<b>Ward Councillor (s) Consulted (if applicable):</b>	Local wards are not affected
<b>Scrutiny Consultation Considered?</b>	Scrutiny has not been consulted
<b>Contact Officer(s):</b>	S Lilley P Patel

## **DECISION RECOMMENDATIONS**

### **That Cabinet:**

1. Approve the appointment of Oracle Corporation UK Limited (referred throughout as “Oracle”) for provision of Oracle Fusion (Software as a Service) on a contract term for 5 years, with an option to extend for a further 2 years, at a sum of £700,000 per annum.
2. Approve the appointment of Inoapps as implementation partner to assist the Council to transition to Oracle Fusion at a sum of £1,200,000.
3. Authorise the Director – Law and Governance and Monitoring Officer, on behalf of the Council and in consultation with the Chief Executive and Executive Director - Resources to award the contract for the provision of Oracle Fusion SaaS to Oracle and to award the contract to deliver the implementation of the software to Inoapps.
4. Authorise, in connection with Recommendation (1), (2) and (3) above, the Chief Executive and Director – Law and Governance and Monitoring Officer to make any non-material amendments to the contracts and related documents.
5. The following action points identified within the appraisal report be implemented to reduce any risk to the Council:
  - That any ongoing revenue implications arising from this procurement be identified and be met from existing resources within the Resources Directorate, including any unplanned additional costs that may arise.
  - Ensure that the user numbers agreed within the contract are assessed against any planned organisation/service reviews to ensure that they are reasonable and that any reductions within the contract term would not significantly impact on the reasonableness of the price agreed.

## **1. PURPOSE OF THE REPORT**

1.1 The purpose of this report is to seek Cabinet approval:

- a. for the continued use of the Oracle platform to deliver the Council's e-business suite (EBS), but with a move to a cloud-based solution
- b. to make a direct award, using Regulation 32 of the Public Contracts Regulations 2015, to Oracle for the provision of Oracle Fusion Electronic Resource Planning system on a SaaS basis.
- c. to make a direct award to Inoapps for the provision of an Implementation Partner service to assist the Council to transition to Oracle Fusion.

## 2 **IMPLICATION FOR VISION 2030**

- 2.1 The Oracle replacement contributes to Vision 2030 as outlined below.

***Ambition 10 - Sandwell now has a national reputation for getting things done, where all local partners are focused on what really matters in people's lives and communities.***

- 2.2 Our 2030 Vision is that Sandwell will have a national reputation for getting things done.

A move to the Cloud is a major change that comes with challenges such as service re-design, culture change, potential interface issues with software and staff training. However, it will ensure that the Council keeps in pace with technological developments and provide an improved service and user experience with the replacement system. The Council can use this as an opportunity to be regarded as a forward-thinking organisation known for taking managed risks that pay off and trying new things. Moving the current EBS to Oracle cloud will involve reviewing and changing certain processes to secure organisation wide transformation and will represent a bold move for the Council.

This is also aligned to the ICT and Digital cloud strategy.

## 3 **BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 The main business system currently used by the Council is Oracle E-Business Suite (EBS), which provides a range of key functions that support various service areas, including Finance, Human Resources, Payroll, and Procurement.

- 3.2 The current version of EBS used by the Council (12.1.3) will become unsupported from 31 December 2021. Remaining on unsupported software is an unacceptable risk to the Council due to the loss of service updates and support patches which are required to ensure that the software operates effectively and in accordance with appropriate legislation. In particular, the loss of support to the payroll module presents a particularly high risk for the Council.
- 3.3 The Council needs to purchase and implement a replacement e-business suite before the end of support date so that business can continue securely and without interruption.
- 3.4 The Council does not have the capacity or relevant expertise to be able to transition from the current EBS to new software. In order to move to a new EBS the Council needs to secure the services of an implementation partner to provide technical resources and support.

#### **4 THE CURRENT POSITION**

- 4.1 As the current software is reaching de-support, the Council would ordinarily upgrade the software to the latest stable version as part of a refresh cycle. However, the outlook for on-premise solutions has changed considerably in the past few years, with industry increasingly diverting investment into cloud software. This shift means the Council needs to take a more proactive approach to the upgrade than in previous years - the existing solution has been in place in some form since 2003 and has differed little in real terms since. In addition, an upgrade to the current software would only be supported until 2030. Therefore, the Council would be required to consider its options again a few years prior to 2030.
- 4.2 Users of the current EBS have expressed dissatisfaction with the system for some time, with reference to inefficiencies, inadequate reporting functionality and prolonged processes to drill down and access necessary data. EBS has been used by the Council since 2003 and overtime the Council has deployed a number of 'work around' processes and purchased peripheral systems which have undermined the functionality and integration of the software. This has increased the general level of user dissatisfaction. The current EBS system is not mobile and as a result does not support Sandwell's agile working policy.

- 4.3 Additionally, the current EBS could be more environmentally friendly. Currently there are on-premise servers that must be stored in secure and a temperature-controlled environment. Further, the current EBS does not offer digital alternatives, which means staff print reports rather than access them digitally.
- 4.4 Under the instruction of the Executive Director of Resources an option appraisal has been undertaken to consider the replacement of EBS. The Council has developed its use of Oracle EBS since it was introduced in 2003. Consequently, many of the Council's critical business systems are reliant on EBS including payroll, payment of suppliers, financial management, procurement, human resources and absence management, etc. The option appraisal recommended that the Council should continue to use Oracle as its EBS supplier, through a SaaS arrangement. The option appraisal concluded that a move away from the Oracle platform would present a major risk to the Council. In addition, the Council would require significant investment (mainly budget and staff time) to implement an alternative platform.
- 4.5 The main objectives of undertaking this project are outlined below:
- a) Implementation before elements of the current system become unsupported on 31 December 2021.
  - b) A sustainable solution for a minimum of 10 years.
  - c) Support the promotion of social value in Sandwell in line with Sandwell Council's 2030 Vision
  - d) A solution that is fit for purpose and satisfies the business need.
  - e) Organisational development for the long term
  - f) Transformational services that lead to efficient processes and savings.
  - g) Compliance with relevant legislation
  - h) Compliance with Council strategies and policies. Such as ICT transformation and Digital strategy.

## **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 To date, relevant stakeholders have been involved and consulted, including officers from Procurement, Finance, ICT, HR and Legal. Relevant officers have been consulted through various engagement initiatives such as demonstrations and workshops.

The Leadership Team has been kept abreast of key developments and recommendations by the Executive Director of Resources and this will continue as the project moves through the implementation phases.

- 5.2 As the project develops there will be comprehensive communication and awareness events with users of EBS from across the Council.

## 6 **PREFERRED OPTION**

An option appraisal has been undertaken to inform a decision on the future provision of an EBS. The preferred option is outlined below.

### 6.1 **Preferred option Transition to cloud**

The preferred option is that the Council remains on the Oracle platform choosing to improve its current EBS provision and ‘future proof’ its use of an EBS by purchasing it on a SaaS basis.

SaaS is a method of software provision in which the software is accessed online, through the internet, rather than bought and installed locally on servers or PCs. Payment for the service is made annually on a subscription basis in accordance with the number of users.

There are two phases to this option:

- Phase 1 – would move the current system into the cloud
- Phase 2 – making improvements to processes – referred to as ‘Sprints’

It is proposed that Phase 1 will commence in October 2019. The current EBS would not be switched off until the Council is satisfied that the Oracle cloud system works. This would be subject to rigorous testing before sign-off and full transition to Oracle Fusion.

A phased transition to the cloud was preferred as it creates minimal disruption, pace of change is more controlled, less Council resources would be required, service areas can deploy at dual speed, and lower TCO (total cost of ownership).

Phase 1 would be done in two parts – 1a and 1b.

Phase 1a would deal with all moving all EBS services to the cloud (except for Payroll) and would take between 9-12 months. With a 'go live' date in the autumn of 2020 with services such as Finance, Procurement and HR moving to the cloud solution.

Phase 1b would see the Payroll service moving to the cloud with a later go-live date. Payroll would be treated differently because of both the complex and sensitive nature of this service. There would be a number of parallel payroll runs to allow the Council to satisfy itself that the new payroll module is working accurately.

Phase 2 (Sprints) – this phase would see changes and transformation of processes. This is a pragmatic approach allowing the Council to transform certain processes at a manageable pace. Sprints will follow a logical sequence of services that can be transformed and can take approximately 3 months to implement. The Council can implement a number of distinct sprints which can be managed as projects with each requiring a level of external support and internal Council resource. Sprints will be dependent on the pace required as well as the external and internal resources deployed.

## 6.2 Timeline for implementation

Following consultation with officers from each service area it is recommended that a move to the cloud commences in October 2019 with a go-live date of late summer/autumn 2020.

The go-live date will fall in the middle of the financial year which will avoid intensive activities around the closedown of annual accounts. The implementation plan has been specifically developed with a mid-year go live date.

## 6.3 Oracle subscriptions

The Council will purchase Oracle Fusion on a subscription basis. A due diligence process has been completed with each service area to ensure that the Council purchases the correct number of subscriptions, in accordance with service requirements. The number of subscriptions required takes into account external organisations that use the EBS, such as maintained schools and the Sandwell Children's Trust.

Oracle's business model will enable the Council to purchase additional subscriptions at the same rate as subscriptions in the initial SaaS contract. However, the Council is not able to reduce the number of subscriptions during the contractual term. Therefore, it is imperative that the due diligence has been completed and that an accurate subscription base is set in the contract.

The West Midlands Fire Service (WMFS) currently uses the Council's EBS to provide its Payroll and Purchase to Payment services. WMFS have notified the Council that they are currently reviewing their financial system requirements. Consequently, Oracle have offered more flexible contracting arrangements allowing WMFS to purchase subscriptions as an associate of the Council but with a 2-year contract period with annual reviews. This will enable the WMFS to terminate their subscription early, subject to them making a final decision on their future financial system requirements, without penalty. The arrangement does not impact on the Council's contract and WMFS will bear all financial costs associated with their subscriptions.

#### 6.4 Implementation partner

Sandwell already has a managed service provider, Inoapps, to maintain the EBS. A managed service provider provides support for the development of the software and associated process improvement.

Inoapps has provided a managed service since July 2016 with the current contract due to end in June 2020.

Consequently, Inoapps has developed considerable knowledge of the Council and its operations as well as the modifications made to the system. The Council also commissioned Inoapps to assess the Council's readiness for a move to the cloud. The Cloud Readiness assessment was an important element in the option appraisal which selected the preferred option, identified in Para 6.1.

An Implementation Partner would be required to assist the Council to move from EBS to Oracle cloud by bringing in specialist skills and experience, project disciplines and capacity, that the Council does not have itself.

Support expected from an Implementation Partner would include activities such as:

- Project management
- Data migration
- Integrations and interfaces with other systems
- Setting up a test environment
- Testing
- Setting up an archive
- Governance for sign off, of key stages
- Incorporating some existing modifications into Oracle cloud

An Implementation partner would be required for implementing both Phase 1 and Phase 2. However, subject to Cabinet approval, the Council will commission Inoapps to deliver Phase 1, only, then conduct a review of the implementation before determining procurement arrangements to select a managed service provider to deliver Phase 2.

#### Implementation Plan

In addition to the Cloud Readiness Assessment Report Inoapps have conducted several implementation workshops with service areas to understand current practice and future service requirements. Inoapps have used this and their knowledge of the Council, as its managed service provider, to develop a detailed implementation plan for the transition from EBS to Oracle Fusion. The implementation plan identifies key activities, critical path, timelines and resources to be provided by Inoapps to deliver the implementation. The plan also clearly identifies Council resources and expertise required to successfully deliver the project.

## 7 STRATEGIC RESOURCE IMPLICATIONS

The overall cost of this project, for the duration of the 5-year contract with Oracle is £5,642,000. A breakdown of this figure is shown in the table below.

Description	Costs 2019/20 to 2023/24 £000
<u>Implementation Costs – (One-off)</u>	
Implementation Support	1,206
Development Sprints Support	600

Internal Project Team	386
<u>On-going Costs</u>	
SaaS subscriptions	3,240
Managed Service Support Partner	70
Archiving System	140
Total	5,642

The proposed funding of the project is shown in the table below:

Description	Funding 2019/20 to 2023/24 £000
Earmarked Reserve	2,625
Redirection of budgets for current system costs	2,458
Resources Revenue Budget	682
Total Funding	5,765

The proposed funding allows for a small contingency of circa £123k for the project.

A full financial appraisal has been undertaken by Strategic Finance. The appraisal process recorded a score of 66%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks. A copy of the Appraisal Report can be found at Appendix 1.

## 8 LEGAL AND GOVERNANCE CONSIDERATIONS

### 8.1 Procurement of Oracle licences / subscriptions

The Council has used the server-based Oracle platform since 2003 and considerable resource and time has been invested in developing Oracle and expanding on the modules that are used across the Council. Oracle ERP is now intertwined with the Council's operations and is critical for key activities and processes such as payroll, finance and procurement with links between these processes.

The Council would need to invest significant additional resources into disentangling from Oracle ERP and then start from scratch in scoping, developing and implementing a completely new system.

A move to Oracle Cloud will allow the Council to future proof the system and secure gradual improvements which would exploit its functionality.

The purpose of the purchase of Oracle licences is to carry out an improvement to the Council's Enterprise Resource Planning (ERP) system. To that end, competition is absent because only Oracle produce the required software.

Oracle licences can be purchased from other suppliers (who typically introduce a mark-up for their services). Therefore, it makes financial sense to purchase licences directly from Oracle, and it has been with Oracle that the Council has held discussions and negotiations about the new arrangements for cloud licences.

Ordinarily, a procurement activity of this value would require the Council to conduct a formal tender process and to advertise the opportunity in the Official Journal of the European Union (OJEU), in order to comply with the Public Contracts Regulations 2015. In the current particular circumstances, there is an absence of competition in the market; Oracle is the sole producer of Oracle software.

The Public Contracts Regulations 2015 make provision for such particular circumstances in Regulation 32(2)b(ii) which sets out that a negotiated procedure without publication of a Contracts Notice in the OJEU is permissible in circumstances where competition is absent for technical reasons. An exemption from conducting a formal tender process, to allow negotiation with Oracle for purchase of the appropriate licences to be concluded, is therefore permissible under the provision of Regulation 32(2)b(ii).

The Council will publish a Voluntary Ex Ante Notice to inform the market of its intention to conclude these negotiations with Oracle and will thereby meet its obligations for compliance with the Public Contract Regulations 2015.

## 8.2 Procurement of Implementation Partner Services

The Council's requirements for an implementation partner include the ability to move an organisation to Oracle SaaS in the public sector for Finance, Procurement and Human Resources across the whole organisation and have a good working relationship with Oracle. These requirements have assisted in carrying out appropriate searches for an implementation partner.

The Council is able to access a national framework agreement, operated by Crown Commercial Services, that offers access to a wide market for a range of cloud computing services, including cloud support. This framework agreement, G-Cloud 11, has been tendered in compliance with the Public Contracts Regulations 2015. It is proposed that the Council should utilise G-Cloud 11 to identify the most suitable supplier for implementation partner services on the basis that G-Cloud 11 attracted a strong response from suppliers across the UK and had much greater leverage than any single client organisation in attracting competitive pricing.

The process for calling off G-Cloud 11 begins with running a search to identify suitable suppliers. This has been carried out, with only one company, Inoapps, identified as being able to meet all of the Council's requirements for implementation partner services. Under the provisions of the G-Cloud 11 framework agreement, in circumstances when only one supplier can meet the requirement in full, a direct award can be made.

## **9 EQUALITY IMPACT ASSESSMENT**

9.1 There are no direct equality implications arising from this report.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

10.1 Data protection

A Data Protection Impact Assessment has been undertaken with the assistance of the Information Management Unit and appropriate mitigations of risks have been identified and will be implemented.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

11.1 There are no direct crime and disorder implications arising from this report.

## **12 SUSTAINABILITY OF PROPOSALS**

12.1 The recommendation / proposal to move to a cloud-based solution is considered as a long-term solution. This is because there will be no planned end date as the solution will constantly be upgraded with updates, patches etc. Therefore, this solution is sustainable.

The preferred solution is expected to last into the foreseeable future – it's updated on an on-going basis.

12.2 The proposal is environmentally sustainable as there will be no on-premise Oracle servers and more digital alternatives to paper.

### **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

13.1 There are no direct health & wellbeing implications arising from this report.

13.2 The preferred solution will have an improved user interface, thus meaning that users will have a better experience when using SBS / Oracle. A move to Oracle cloud will also contribute to an improved work-life balance as employees will be able to work flexibly as Oracle cloud will be accessible from different user devices from different locations.

### **14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

14.1 A move to Oracle cloud will remove the need to have physical servers in the Council's server room.

### **15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 The Council's current e-business suite becomes unsupported in December 2021. The Council needs to upgrade to a new system so that patches are supported and there are no risks to security.

15.2 Having reviewed all the available options, the Council is looking to move its e-business suite to the cloud. The cloud is sustainable, delivers Ambition 10, more efficient and will bring around business transformation.

15.3 Outcomes of the project include, but are not limited to:

- enable prompt processing of all financial transactions and recording to a general ledger
- provide a full e-process for Procurement to Payment (P2P)
- provide a full payroll calculation and payment process that is fully compliant with all appropriate legislation

- provide a full HR support system that facilitates recruitment, staff on-boarding, Learning & Development, Sickness Absence Management, staff time recording and analytics
- provide a budgeting and planning tool that supports flexible and accurate medium-term financial planning processes
- effective contract management
- securing efficiencies – processing completed on a ‘right first time’ basis, less spreadsheets, less paper
- improved reporting
- improved system user experience
- enable future developments

To achieve the outcomes outlined above and ensure that the new EBS system is successfully integrated, it is recommended that an experienced implementation partner is engaged as part of the solution. This partner will assist with the transition to cloud and support implementation.

**Darren Carter**  
**Executive Director – Resources**