



Mayor and Cabinet

Report title: Approval to procure and award Oracle Fusion Licensing for 5-year period

Date: 8th March 2023

Key decision: Yes

Class: Part 1.

Ward(s) affected: N/A

Contributors:

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Outline and recommendations

This report seeks approval to award a contract for the procurement of licensing for Oracle Fusion Cloud products under the framework agreement RM6194

– Crown Commercial Service, Back Office Software (BOS) agreement which has been designed to provide all public sector customers a route to buy software as a service (SaaS) including enterprise resource planning (ERP), human capital management (HCM) and productivity software directly from major vendors. This agreement will also cover the procurement of support and maintenance for these products.

Current licensing expires May 2023

Timeline of engagement and decision-making

The licensing award is required to be in place to provide continuance of licensing by May 2023

1. Summary

- 1.1. The council established a three-year licensing agreement in May 2020 following the commencement of the implementation of the Oracle Fusion Cloud service in May 2017
- 1.2. The oracle license arrangements are scheduled for renewal in May 2023 under a new three-year minimum license arrangement.

2. Recommendations

- 2.1. It is recommended that Mayor and Cabinet:
 - 2.1.1 Approve the use of the Framework Agreement RM6194 – Crown Commercial Service, Back Office Software Agreement.
 - 2.1.2 Approve the award of contract under the framework agreement to Oracle Corporation for Oracle Fusion Cloud Subscription which will cover a 5-year licence for a total value not exceeding £4,135,787.36. The licence would start on 21st May 2023 and expire on 31st May 2028.
 - 2.1.3 Delegate to the executive Director Corporate Resources to approve the final licence renewal price for a period of five years up to a maximum value of £4,135,787.36

3. Policy Context

- 3.1. The contents of this report are consistent with the Council's Corporate Strategy 2022-2026. It supports the delivery of all the corporate priorities by the provision of technical architecture and systems which are fully licensed to all users across the council.
- 3.2. The licencing is required for the software that Lewisham Council uses to support business operations, in particular the provision of Finance, HR (Human Resources) and Payroll through Oracle Fusion Cloud HCM (Human Capital Management) and Oracle Fusion Cloud ERP (Enterprise Resource Planning).
- 3.3. Without this licencing, the Council will not be able to operate the Finance, HR and Payroll systems from 21st May 2023

4. Background

- 4.1. The implementation of the current Oracle Fusion Cloud service for the ERP (Enterprise Resource Planning) financial system and HR and Payroll systems agreement was approved at Mayor & Cabinet on 7 December 2016 and implementation has proceeded utilising a systems integrator to upgrade systems to Oracle Cloud.
- 4.2. The implementation of the Oracle ERP system is mostly complete having been in live operation since May 2018, supported at the current time by the incumbent system integrator.
- 4.3. The implementation of the Oracle HR and Payroll system is mostly complete. A period of support under HyperCare support will then ensue whilst a full support model is implemented.
- 4.4. The HR & Payroll systems are being updated further to include additional usage in respect of Lewisham Homes and Lewisham Schools.

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- 4.5. The licensing approval is not to procure a new system or solution, it is purely to cover the existing Oracle product licences across the entire Oracle Fusion product stack for the next five-year period.
- 4.6. The licences for the current Oracle Fusion Cloud ERP finance and procurement system and HR & Payroll systems have been previously procured directly from Oracle without a separate procurement exercise.
- 4.7. In support of the Oracle Fusion Cloud implementation licences were required, and a three-year agreement was originally established with Oracle directly in 2020.

5. New License Procurement Proposals

- 5.1. The rationale for the retention of the current systems and solutions are:

The Oracle Fusion suite of products are critical Line of Business Systems, and there is still scope to enhance Oracle through maximising its usage by staff and budget managers across the Council.

The Council still needs time to get full value from the Oracle Fusion systems following the implementation of Oracle Cloud in May 2018

Staff and managers are now using the system effectively to book annual leave, manage appraisals and expenses which has created a significant shift in how the Council operates

The councils Human Resources team have recently implemented Oracle Recruitment Cloud which should streamline existing processes

When Lewisham Homes staff and services transfer to Lewisham Council there may be a need for additional licenses to be procured. Oracle agree for any additional licenses to be purchased at the negotiated rate or use the rebalancing option.

Rebalancing option has been included in new licence proposal. Oracle will offer Lewisham the option to re-allocate the User and Usage quantities among the following Oracle Cloud Services (Oracle Fusion Cloud, Taleo Enterprise Cloud Services, Eloqua Cloud Services, Oracle RightNow Cloud Services and BigMachines Cloud Services)

- 5.2. From the points set out above, there is a clear rationale for continuing with the current systems and solutions. There is however a need to ensure the Council has licences in place to continue using the system for up to another 5 years.

- 5.3. Benefits of a Direct Award:

- Quicker route to market for known requirements
- Pricing listed on the eMarketplace
- Supplier can update listings on the eMarketplace at any time.
- Suppliers can provide a range of software and services under direct award via the Government eMarketplace, provided these are in the scope of the Framework Schedule 1 – specification. These include software licences, license renewals, support and maintenance of both new software and software already intrinsically linked.

- 5.4. The cost of Oracle cloud licences, Oracle Fusion Analytics and Cloud Subscription for the next five-year licensing period is £4,135,787.36 inclusive of indexation

- 5.5. Oracle will be working with Lewisham IT Procurement colleagues to explore opportunities to improve the economic, social and environmental wellbeing of Lewisham and effectively deliver Social Value outcomes that are more Lewisham specific. Oracle are developing a Social Value roadmap and already have a number of opportunities open to Lewisham such as Oracle Intern Programme, Oracle Academy

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and a supporting communities initiative offering product donations and discounts, pro bono services and capacity building to non profit organisations.

5.6. RM6194 – Back Office Software framework included a 10% weighting being attributed to the quality evaluation in line with the Procurement Policy Note (PPN) 06/20 – taking account of social value in the award of central government contracts. The area of Social Value that was chosen for the tender process was on the theme fighting climate change.

5.7. The costs of the renewals:

	Current Contract Per Annum	Year 1-3 Per Annum	Year 4 -5 Per Annum	Total 5 Year Cost
Total	£ 669,551.40	£ 797,929.12	£ 871,000.00	£ 4,135,787.36

Year 4 & Year 5 are inclusive of capped indexation at 10%

6. Financial implications

6.1. This report recommends the approval to enter into a new contract with Oracle for a five year period from May 2023, for the purchase of licences to operate the Councils financial management and human resource systems, at an annual cost of £798k for years 1 to 3 and £871k for years 4 and 5.

6.2. The current contract with Oracle is a 3-year contract and the annual cost is £670k and so the new contract is therefore approximately 23% higher but reflects indexation (inflation increases) over the 5 year period.

6.3. The budget for these and other software licences is within the IT & Digital Division and stands at £1.9m. This budget is currently fully committed and an increase to the Oracle licence costs will be built into the IT & Digital budget from April 2023 onwards. The additional costs were factored into the medium term financial planning process.

7. Legal implications

7.1. The Council has sufficient powers to enter into the contract as proposed in this report.

7.2. The Council may use a framework agreement where that framework agreement has been procured in accordance with the Public Contracts Regulations 2015 and allows for the Council to use the Framework Agreement. The Crown Commercial Service framework RM6194 has been procured in accordance with the Regulations and the Council is entitled to use that framework.

7.3. The Council's Contract Procedure Rules set out the requirements for entering into a contract for a service to be provided under the terms of a framework agreement (that service is then provided through a 'call-off contract'). Further information about how the service is procured is set out in the body of the report. The framework agreement has predefined terms and conditions for the call-off contract which the Council must use, subject to a certain amount of amendment as necessary for the particular service.

7.4. In order to join the framework Lewisham Council would need to sign a call off contract. The call-off contract must be approved in advance of commencement by Legal Services on behalf of the Director of Law and Corporate Governance and, given the proposed value, must be sealed.

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8. Equalities implications

8.1. There are no equalities implications for this project

9. Climate change and environmental implications

9.1. There are no climate change and environmental implications for this project

10. Crime and disorder implications

10.1. There are no crime and disorder implications for this project

11. Health and wellbeing implications

11.1. There are no health and wellbeing implications for this project.

12. Social Value implications

12.1. The supplier will be asked to deliver social value over the lifetime of the contract and will be followed up at contract management meetings.

12.2. RM6194 – Back Office Software framework included a 10% weighting being attributed to the quality evaluation in line with the Procurement Policy Note (PPN) 06/20 – taking account of social value in the award of central government contracts. The area of Social Value that was chosen for the tender process was on the theme fighting climate change.

13. Background papers

13.1. Not applicable

14. Glossary

14.1. Not applicable

15. Report author and contact

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