



Mayor and Cabinet

Report title: New Procurement for Oracle support services, comprising of Human Resources, Finance and Payroll services. The new contract shall start from 1st August 2024. This report also covers a separate enhancement procurement for a future contract to deliver new Oracle functionality from 1st January 2024.

Date: 6 June 2023

Key decision: Yes.

Class: Part 1.

Ward(s) affected: All

Contributors:

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Outline and recommendations

Mayor & Cabinet are recommended to authorise officers to run 2 procurements, namely for

- a procurement for Oracle support services (comprising of Human Resources, Finance and Payroll services) for a new contract starting from 1st August 2024.
- a procurement for a contract to deliver new Oracle functionality. This new enhancement contract is expected to start from 1st January 2024.

The new support service contract will be for a period of three years, with an option to extend for a further one year. The expected total value of this contract will be an estimated £250k annually. The overall contract value for this new support service is £1m.

The enhancement contract will be for a period of three years, with an option to extend for a further one year. There is no guarantee that future changes will be needed. However, Oracle do update their features and functionality on a regular basis and the aim of this contract is to ensure that a supplier is available to support and deliver the new functionality on an as and when required basis for each future enhancement. The expected total value of this contract will also be an estimated £250k annually. The overall contract value for this new enhancement contract is also £1m.

Mayor & Cabinet are recommended to:

Approve procurements for:

- (1). An Oracle support service (comprising of Human Resources, Finance and Payroll services) starting from 1st August 2024 for a period of 3 years with the option to extend for up to a year at an annual cost of £250k and total cost of £1 million over the contract period.
- (2). an enhancement contract to deliver new functionality. The contract is expected to start from 1st January 2024 for a period of 3 years with the option to extend for up to a year at an annual cost of £250k and total cost of £1 million over the contract period.
- (3). Approve the award of contract for both the support service contract and the enhancement contract to the preferred providers, provided the contract value is within authorised limits.
- (4) Delegate authority to Executive Director for Corporate Resources (in consultation with Director of Law & Corporate Governance and Applications Manager) to select the preferred providers in accordance with the selection and award criteria published in the tender documentation and agreed final form of contracts.
- (5). Seek approval to use a compliant public body organisation framework (G-Cloud 13) for both procurements.

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Timeline of engagement and decision-making

Support Contract

May to August 2023	Project Team established and data gathering exercise undertaken to inform tender specification. Procurement route for both procurements agreed.
September 2023	Pre-Market engagement takes place.
October 2023	Tender Specifications completed.
October 2023	FTS notice and contract finder. Invitation to Tender and Standard Selection Questionnaire issued.
December 2023	Final Bid deadline
January - February 2024	Evaluation exercise
February 2024	Award report presented to Executive Director of Corporate Resources
February 2024	Award decision letters issued
March 2024	Contract award notice published.

Enhancement contract timeline

June 2023	Work commenced on gathering requirements and key artefacts for the procurement
July 2023	Pre-Market engagement takes place.
September 2023	Invitation to tender and Standard Selection Questionnaire issued.
October 2023	Final bid deadline
November 2023	Evaluation exercise
	Award report presented to Executive Director, Corporate Resources
	Award decision letters issues
December 2023	Contract award notice published.

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1. Summary

- 1.1 Lewisham Council currently receive Oracle support services from an outsourced service provider (by a supplier named Mastek). Work is ongoing to extend the existing support contract for a further twelve months (to 31st July 2024) so that a reprocurement for future services can take place.
- 1.2 This paper covers the procurement of these services, and also covers the need for a separate procurement to cover Oracle enhancements which specifically covers such activities as major upgrades and enhancements to improve Oracle customers experience.
- 1.3 Oracle services cover Human Capital Management (HCM) and Enterprise Resource Planning (ERP). All Oracle services are cloud based and over the years, additional functionality has been provided for their Human Resources, Payroll and finance modules. The intention is to procure these support services as part of a new procurement from 1st August 2024. The current contract is in the process of being extended to ensure service continuity but also to give us the time to carry out a procurement for these future services.

2. Recommendation

Mayor & Cabinet are recommended to:

- (1) Approve the procurement for Oracle support services (comprising of Human Resources, Finance and Payroll services) for a contract starting from 1st August 2024 for a period of 3 years with the option to extend for up to a year at an annual cost of £250k and total cost of £1 million over the contract period.
- (2) Approve the procurement for an enhancement contract to deliver new functionality across Human resources, Finance and Payroll modules. This new contract is expected to start from 1st January 2024 for a period of 3 years with the option to extend for up to a year at an annual cost of £250k and total cost of £1 million over the contract period.
- (3) Approve the award of contract for both the support contract and the enhancement contract to the preferred providers, provided the contract value is within authorised limits.
- (4) Delegate authority to Executive Director for Corporate Resources (in consultation with Director of Law & Corporate Governance and Applications Manager) to select the preferred providers in accordance with the selection and award criteria published in the tender documentation and agreed final form of contracts.
- (5) approve the use of a compliant public body organisation framework (G-Cloud 13) for both procurements.

3. Policy Context

This report aligns with Lewisham's Corporate Priorities, as set out in the Council's Corporate Strategy (2022-2026):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People

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- Safer Communities
- Open Lewisham
- Health and Wellbeing

These recommendations in this report support all of the Council's priorities generally through effective Human Resources policies and processes. Also, through efficient use of adequate, auditable financial arrangements for all of its activities and duties.

4. Background

4.1 Lewisham Council currently receive Oracle support services from an outsourced service provider (by a supplier named Mastek). Work is ongoing to extend the existing support contract for a further twelve months (to 31st July 2024) so that a new procurement for future services can take place.

4.2 This paper covers the procurement of these services, and also covers the need for a separate procurement to cover Oracle enhancements which specifically covers such activities as major upgrades and enhancements to improve Oracle customers experience.

4.3 Oracle services cover Human Capital Management (HCM) and Enterprise Resource Planning (ERP). All Oracle services are cloud based and over the years, additional functionality has been provided for their Human Resources, Payroll and finance modules. Currently, services which are being managed by Mastek are for second and third line services, including but are not limited to the following Oracle modules (which are also separately agreed as part of a licencing contract direct with Oracle):

- Fusion Procurement cloud.
- Fusion Self Service procurement cloud
- Fusion Supplier portal cloud
- Fusion financials cloud including following modules
 - Accounts Payable
 - Accounts Receivable
 - General Ledger
 - Cash Management
 - Fixed Assets
- Fusion Project Financials cloud service.
- Fusion Human Resources cloud service
- Oracle Recruitment Cloud
- Oracle planning and Budgeting cloud service (PBCS).
- Fusion Java cloud service.
- Fusion Human Resources Self Service
- Fusion Payroll
- Fusion Absence Management Cloud Service
- Fusion Expenses.

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- 4.4 The intention is to procure these support services as part of a new procurement from 1st August 2024. The current contract is in the process of being extended to manage service continuity risks but also to give us the time to carry out a procurement for these future services.
- 4.5 This paper also covers the need to contract with a supplier to deliver future enhancements to the Oracle system. These enhancements are specifically upgrades and new functionality to improve Council's staff experience of using Oracle products. There is no guarantee that future enhancements will be needed. However, Oracle do update their features and functionality on a regular basis and the aim of this contract is to ensure that a single supplier is available to support and deliver the new functionality on an as and when required basis for each future enhancement. The aim of this contract is that whenever key stakeholders require new functionality, the enhancement will be delivered through this separate contractual arrangement. Each new requirement will require financial and business approval. The current estimated annual cost is £250k per annum. However, it's possible that none of this will be spent. The total value of each enhancement shall be monitored through the lifetime of this contract.

5. Sourcing Options

The sourcing options for the support contract is detailed below:

Option 1 - Do Nothing

- 5.1 The Oracle service contract delivers services which are business critical to Lewisham Council. If these expire on 31st July 2024, all services shall stop, which generates significant service continuity and reputational risks to the Council and impacts support to live service. On this basis, service continuity is key and therefore, doing nothing is not an option.

Option 2 – Preferred Option – New procurement exercise

- 5.2 A new procurement shall mean that a new contract shall be managed and delivered for these services starting from 1st August 2024.
- 5.3 This paper covers delivery of those services and requirements are being developed to cover these future services. A key option for the future service is to be able to flex and transition to a new service model if this is needed or further changes are required.
- 5.4 Vitally important if this option is preferred, that time is spent with suppliers and to ensure the supply chain is interested and remains involved within the procurement process. The aim is to start this engagement later in summer and this exercise shall also help deliver the final requirement before the start of the procurement.

Option 3 – In-house delivery of services

- 5.5 Some services are capable of being delivered in-house, illustrated with the current programme to insource Digital roles in the IT and Digital Service team. However, London Borough of Lewisham does not have the required capabilities nor technical resources to deliver all current services without external support. These particular services require a higher level of technical capability and it will take time and funding to recruit and train a specific team to develop the necessary skills to deliver these future services.

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Sourcing Options for the Development Contract

The sourcing options for the development contract are detailed below:

Option 1 - Do Nothing

- 5.6 This is the first time this particular requirement has been considered. Doing nothing is an option. However, this means that any future enhancement could be delayed as no existing contractual mechanism exists for these enhancements. As these are usually critical, and impact pay, pensions and other HR related subjects, plus Financial processes as enhancements also cover the Enterprise Resource Planning (ERP) side, and also ensure that legislative and regulatory compliance are met, delays and not doing anything at this time increase reputational risk to the Council. Based on the above, doing nothing is not an option.

Option 2 – Preferred Option – New procurement exercise

- 5.7 A new procurement shall mean that a new contract shall be managed and delivered for these services starting from 1st January 2024. The aim of this procurement is to test the market by using a compliant framework where suppliers have been pre-qualified to provide these services from the framework.
- 5.8 Consideration was given to just contract for one aggregated service and enhancement contract to cover both requirements. However, the preferred business route was to separate both requirements into two separate procurements for two future contracts. This approach opened the market to more suppliers where the potential for better value and services could be delivered.
- 5.9 Vitally important if this option is preferred, that time is spent with suppliers and to ensure the supply chain is interested and remains engaged within the procurement process. The aim is to start this engagement later in summer and this exercise shall also help deliver the final requirement before the start of the procurement.

Option 3 – In-house delivery of services

- 5.10 Some services are capable of being delivered in-house, illustrated with the current programme to insource Digital roles in the IT and Digital Service team. However, London Borough of Lewisham does not have the required capabilities nor technical resources to deliver future Oracle enhancements without external outsourced support. These particular services require an higher level of technical capability and it will take time and significant funding to recruit and train a specific team to develop the necessary skills to deliver these future services.

6. Procurement Options

- 6.1 We next turn to the frameworks available to deliver these requirements. These are all government frameworks, managed by Crown Commercial Services, which are compliant procurement routes.
- 6.2 The other government framework which was considered for use was the Back Office

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Software framework (RM6194). However, after careful consideration, this did not meet our specific requirements as this framework needs are specific to purchasing new software which is not required for these future contracts. It was agreed that, for the support contract, the model is the same as what is contracted now, which is to use G-Cloud 13 as the preferred procurement option for these future contracts. A previous iteration (G-Cloud 11) was also used to procure these services on the current contract.

- 6.3 For the enhancement contract, as this will be a new contract, the same framework can also be used (G-Cloud 13) to contract with a supplier for these services. For the enhancement contract, a different set of search criteria will be developed to ensure that the right suppliers are shortlisted. However, from initial searches, there are a number of potential suppliers who can meet our requirements for both the support contract and enhancement contract from this framework. We can go to the open market, but the benefit of using this framework agreement is that a number of suppliers have already been pre-selected on this framework. And initial searches show that a number of different suppliers already exist on this compliant framework, which can meet our requirements.

7. Financial implications

- 7.1 This report seeks approval from Mayor & Cabinet to authorise officers to run a procurement for Oracle support services (comprising of Human Resources, Finance and Payroll services) for a new contract starting from 1st August 2024. In addition a separate procurement shall also be undertaken for a new, separate enhancement contract to deliver new functionality across Human resources, Finance and Payroll modules. This new contract is expected to start from 1st January 2024.
- 7.2 The cost of the new contract for oracle support services is expected to be £250k and this cost will be contained within the overall IT & Digital budget.
- 7.3 There is currently no specific funding available for the contract to deliver new or enhanced functionality across the oracle modules. Therefore any contract entered into would need to be indicative of potential cost with no definitive commitment to any works. Any works agreed under this contract would be piecemeal and subject to specific agreement via a schedule of works for which funding would need to be identified prior to the works being agreed with the contractor.

8. Legal implications

Approval to Procure

- 8.1 The report seeks approval to procure external service providers for Oracle support services and for the provision of enhancement services as and when required. Given the potential spend on both contracts (at a length of 3 years with the option to extend for one year) these contracts would be categorised by Contract Procedure Rules as “Category A” contracts. The report sets out the other options considered and explains why this is the recommended option.
- 8.2 Assuming that Mayor and Cabinet accepts the recommendation to procure services, the Contract Procedure Rules (“CPR”) place requirements on how that should happen. The CPR require that when letting contracts steps must be taken to secure value for money through a combination of cost, quality and competition, and that competitive tenders or quotations must be sought

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depending on the size and nature of the contract (Rule 5). The requirements of the CPR would be satisfied by use of a compliant framework agreement. As Category A contracts, it would be for Mayor and Cabinet to take a decision on the award of any contract. Given the potential spend on these contracts the Public Contracts Regulations 2015 as amended by the Public Procurement (Amendment etc) (EU Exit) Regulations (“the Regulations”) will apply.

Approval to Award

- 8.3 This report proposes that Mayor and Cabinet approve the award of both contracts. This report further proposes that Mayor and Cabinet instruct the Executive Director for Corporate Resources in consultation with the Director of Law & Corporate Governance and Applications Manager to give effect to this decision by applying the selection and award criteria to determine and enter into contract with the preferred service providers.
- 8.4 The decision to award the contract contained in this report is a Key Decision under the Constitution as they both have a value of more than £700,000. It is therefore required to be contained in the current Key Decision Plan and the Council’s Key Decision procedure must be followed.
- 8.5 Provided that the final contract value for each contract is within authorised limits set out in the report and the preferred service providers are selected in accordance with the selection and award criteria published in the tender documentation, then the selection by the Executive Director for Corporate Resources in consultation with the Director of Law & Corporate Governance and Applications Manager of the preferred service providers in accordance with Mayor and Cabinet’s direction will not be a Key Decision. For audit purposes a written record should be kept setting out how the selection process has been applied and the preferred contractor selected, and officers from Legal Services should be consulted as necessary throughout the selection and award process.

Approval to use a framework agreement

- 8.6 Under the Council’s Contract Procedure Rules the Council may use a framework agreement set up by a public sector body 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 framework agreement recommended is compliant with the Regulations and the Council is entitled to use the framework.

9. Equalities implications

- 9.1 There are no equalities implications directly arising from this report. An initial Equality Analysis was undertaken to assess the likely adverse impact the contract award would have on protected groups compared to non-protected groups. The analysis concluded that a full equality analysis was not required due to the fact that the procurement of the Oracle suite of applications would not have any adverse impact on protected groups compared to non-protected groups.
- 9.2 The hosting of the legacy data as a result of the migration to Cloud does not change that assessment.

10. Climate change and environmental implications

There are no climate change and environmental implications arising from this report.

11. Crime and disorder implications

There are no Crime and Disorder implications arising from this report.

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12. Health and wellbeing implications

There are no Health and Wellbeing implications arising from this report.

13. Social Value implications

13.1 For both procurements, social value will be a key requirement and there will be a need for supplier proposals for social value to be evaluated, as part of the tendering process, and also for delivery of the subsequent call-off contracts.

13.2 As part of suppliers submitting their service offerings on G-Cloud 13, suppliers have already confirmed what social value they provide, as part of the 5 key government policies. These will be further tested during the clarification process for both requirements.

14. Background papers

N/A

15. Glossary

[Link to Oxford English Dictionary here.](#)

See Section 7 – “Glossary” in the guidance for more information.

Term	Definition

Report author(s) and contact

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Comments for and on behalf of the Executive Director for Corporate Resources

Peter Allery, Finance Business Partner

Comments for and on behalf of the Director of Law and Corporate Governance

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16. Appendices

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