

## LONDON BOROUGH OF CROYDON

To: Croydon Council website  
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### **STATEMENT OF EXECUTIVE DECISIONS MADE BY THE CABINET MEMBER FOR FINANCE AND TREASURY ON 23 FEBRUARY 2016**

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

The following apply to the decisions listed below:

**Reasons for these decisions:** are contained in the **attached** Part A report

**Other options considered and rejected:** are contained in the **attached** Part A report

**Details of conflicts of Interest declared by the Cabinet Member:** none

**Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member:** none

The Leader of the Council has delegated to the Cabinet Member the power to make the executive decisions set out below:

#### **CABINET MEMBER'S DECISION REFERENCE NO. 15/16/FT**

**Decision title: One Oracle Hosting & Support Contract Extension**

Having carefully read and considered the Part A and B reports and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Cabinet Member for Finance and Treasury in consultation with the Leader of the Council

**RESOLVED** to approve the variation of the One Oracle Hosting & Support Contract call off contract with Capgemini plc under the existing single supplier framework by way of an extension for a term of 2 years for a total contract extension value of £924k and upon the terms detailed in the report.

Date: 3 March 2016

**For General Release**

<b>REPORT TO:</b>	<b>Cabinet Member for Finance and Treasury</b>
<b>AGENDA ITEM:</b>	<b>Background paper to item 10.1 – Cabinet 22 February 2016</b>
<b>SUBJECT:</b>	One Oracle Hosting & Support Contract Extension
<b>LEAD OFFICER:</b>	Richard Simpson Assistant Chief Executive (Corporate Resources and Section 151 Officer)
<b>CABINET MEMBER:</b>	Cllr Hall Cabinet member for Finance and Treasury
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT</b> These services meet the Council's Corporate priority to provide Value for Money to its residents through the joint procurement of services with five other Councils.	
<b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b> The Council has already made significant investment in One Oracle in collaboration with the five other Councils in the partnership and that partnership is growing with the addition of Newham council. The continuation of the service for a further 2 years will allow time for the system to embed and now that it has reached expected performance levels to allow all Council's to review the future of the partnership and efficiency of current arrangements with a view to reprocurring the service, either in part or in full during 2018. This sits with the Council as an enabler under the Corporate Plan supporting Ambitious for Croydon	
<b>FINANCIAL IMPACT:</b> The annual cost of the proposed contract is £419K in year 1 and £505k in year 2 within the total value being £924k over the 2 year term of the contract, for which budget provision has been made.	
<b>KEY DECISION REFERENCE NO.:</b> N/A	

The Leader of the Council has delegated to the Cabinet Member for Finance and Treasury the power to make the decisions set out in the recommendations below

**1. RECOMMENDATIONS**

- 1.1 The Cabinet Member for Finance and Treasury in consultation with the Leader of the Council is recommended to approve the variation of the One Oracle Hosting & Support Contract call off contract with Capgemini plc under the existing single supplier framework by way of an extension for a term of 2 years for a total contract extension value of £924k and upon the terms detailed in this report.

## **2. EXECUTIVE SUMMARY**

- 2.1 Background: During 2012, the boroughs of Brent, Croydon, Barking and Dagenham, Havering, Lambeth and Lewisham (collaborating authorities) collaborated in the procurement of a contractor to provide an Enterprise Resource Planning (ERP) solution based on Oracle technology. A contract was awarded to Capgemini plc for the delivery of hosting and support services which is due to expire in July 2016. The procurement was led by London Borough of Lambeth as a central purchasing authority who entered into a single supplier framework pursuant to which each authority entered into individual call off contracts.
- 2.2 There were significant delays in the implementation of One Oracle which did not go live for any of the boroughs until August 2014. A number of performance issues were experienced following go live which has meant that the service has only been at expected performance levels for a relatively short time.
- 2.3 Decisions were therefore taken by the One Oracle Programme Joint Management Board (JMB) that due to there having been insufficient time for any of the collaborating authorities to fully evaluate the performance of the system that the agreed short term strategy would be to negotiate a 2 year extension to current arrangements to allow all Council's to plan properly for the future. The London Borough of Lambeth have led the negotiations for the extension on behalf of all collaborating authorities.
- 2.4 Approval of this procurement approach for Croydon was agreed by the Contracts and Commissioning Board at its meeting on the 7 January 2016 ref CCB1077/15-16
- 2.5 This reports confirms the details of the negotiated extension term and recommends its award.
- 2.6 The content of this report has been endorsed by the Contracts and Commissioning Board.

<b>CCB Approval Date</b>	<b>CCB ref. number</b>
25 <sup>th</sup> January 2016	CCB1083/15-16

## **3. DETAIL**

- 3.1 There were significant delays in the implementation of One Oracle which did not go live for any of the collaborating authorities until August 2014. A number of performance issues in respect of availability, capacity and response times were experienced following go live which has meant that the service has only been at expected performance levels for a relatively short time.
- 3.2 Continuing with the current solution enables the collaborating authorities to

review the performance of a stable solution and compare to new technologies such as cloud provision within the context of discussions around shared back office services and whether the current collaboration will continue in the same scope. This will inform decisions around the reprocurement of solutions in order to meet changing business requirements.

3.3 Negotiations for a 2 year contract extension involved a test for value for money which was determined in accordance with the objectives of the Joint Management Board. This test was to:

- Assess the market rates of the service where appropriate;
- Assess the costs of provision to the provider and allow for reasonable profit margin;
- Assess whether the proposed service levels would give rise to a practical level of performance.

3.4 Soft market testing and benchmarking has shown that the costs associated with this contract extension are towards the upper end of reasonable. When looked at in terms of commercial acceptability and business risk handling however the simple, fixed price structure of the commercial arrangement passes all risks in terms of increased cost to meet demands to the supplier.

3.5 The position under the extended contract is similar in terms of price, the service is the same but does include a stricter performance measuring regime and service credits linked to key measures such as systems availability so that the Councils are better able to manage the service more effectively.

3.6 The JMB are satisfied that the award of a 2 year extension does offer value for money and will allow sufficient time for proper future service planning and procurement

3.7 For the reasons given in para. 6 below a VEAT notice will be published in respect of the intended contract extension.

#### 4. CONSULTATION

4.1 Consultation has taken place between the collaborating authorities with legal, finance and ICT colleagues from across the boroughs.

### 5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

#### 5.1

##### 1 Revenue and Capital consequences of report recommendations

Current year	Medium Term Financial Strategy – 3 year forecast		
2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000

<b>Revenue Budget available</b>	263	263	263
Additional Revenue Budget Provision		156	242
Expenditure Income	263		
<b>Effect of decision from report</b>	0	419	505
Expenditure Income			
<b>Remaining budget</b>	<u>0</u>	<u>0</u>	<u>0</u>

## 2 The effect of the decision

Entering into a 2 year extension commits the Council to a contract value of £924k over the 2 years, £419K in year 1 and £505k in year 2.

Under the current contractual arrangements Croydon have only paid a 12.05% share of the total value of the contract, with the current average annual cost of £263k. The One Oracle joint management board have agreed a more equitable share of the costs moving forward which will increase the annual cost to Croydon, for which adequate revenue budget provision has been made.

## 3 Future savings/efficiencies

Whilst there are no savings opportunities arising from the proposed contract the One Oracle partnership is continuing to develop with the overall strategic aim being to deliver shared back office services which is expected to achieve additional financial savings.

Approved by: Lisa Taylor, Head of Finance & Deputy Section 151 Officer

## 6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Council Solicitor comments that the procurement process detailed in this report complies with the requirements of the Council's Tenders and Contracts Regulations and that the proposed award of the Contract demonstrates the duty to secure Best Value under the Local Government Act 1999.

Approved by: Gabriel Macgregor Lawyer on behalf of the Council Solicitor & Director of Democratic & Legal Services

## 7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR considerations that arise from the recommendations of this report for LBC workers or employees.

Approved by: Michael Pichamuthu on behalf of the Director of Human Resources

**8. EQUALITIES IMPACT**

8.1 None identified

**9. ENVIRONMENTAL IMPACT**

9.1 None identified

**10. CRIME AND DISORDER REDUCTION IMPACT**

10.1 There are no impacts identified as a result of the contract award.

**11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

11.1 The approved procurement strategy to allow the negotiation for a 2 year extension to the current contract term have been satisfactorily concluded and therefore a recommendation to award is being made

**12. OPTIONS CONSIDERED AND REJECTED**

12.1 There are no other options being considered.

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**CONTACT OFFICER:**

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**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972**

There are none