

From: Vincent Godfrey, Strategic Commissioner

To: Peter Oakford, Deputy Leader, Cabinet Member for Finance, Corporate and Traded Services

Subject: Decision 20/00101 - Approval to award a contract for the provision of Oracle E-Business Suite support.

Key decision: Yes – This decision involves expenditure or savings of maximum £1m.

Classification: Unrestricted

Past Pathway of report: The Policy and Resources Cabinet Committee considered and noted the preferred option to use third-party support on 29 July 2020 (link below).

<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=750&MId=8527>

Future Pathway of report: Cabinet member decision

Electoral Division: All Divisions

Summary:

The Council's support from Oracle for its E-Business Suite (EBS) expires on 5 April 2021. The EBS version the Council is using (12.1.3) will effectively be obsolete in December 2021 when Oracle support ends regardless. Should the Council wish to retain this support from Oracle it would have to make a long-term commitment to them and undertake a programme of expensive and disruptive upgrades.

Third-party support is a direct replacement of the support provided by the original software publisher (Oracle). Third-party support in terms of service levels is directly comparable to that from Oracle, but significantly lower cost. Contracting for support from Rimini Street will secure service continuity for the foreseeable future and a significant financial saving.

Recommendation(s):

The Cabinet Member for Finance, Corporate and Traded Services is asked to agree to:

- award a contract and the permitted contract term extensions to Rimini Street for the support of the Council's Oracle E-Business Suite (November 2020 to April 2021);
- delegate authority to the Strategic Commissioner, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to activate the permitted contract term extensions; and
- delegate authority to the Strategic Commissioner to take other relevant actions, including but not limited to entering in contracts and other legal agreements, as required to implement this decision.

1. Introduction

- 1.1 The Council uses the Oracle E-Business Suite (EBS) for critical business processes in finance, human resources and procurement, including payroll and accounts payable. Oracle will stop providing “Premier Support” for the 12.1.3 version of EBS the Council uses in December 2021. This means that Oracle will no longer provide new feature updates, fixes or security patches. It will leave the applications at a high risk of outages and low performance, security vulnerabilities, and regulatory compliance violations, which may lead to increased costs.
- 1.2 Should the Council wish to retain this support from Oracle it would have to make a long-term commitment to them and undertake a programme of expensive and disruptive upgrades. Third-party support in terms of service levels is directly comparable to that from Oracle, but significantly lower cost. Rimini Street is a well-established and proven provider of support for Oracle EBS (including the Local Government sector).
- 1.3 The Council’s EBS is hosted “on-premise” in the data centre at Sessions House. Arrangements for the close and migration of the data centre are being considered separately and are not affected by the provision of EBS support and vice versa. Third-party support can be provided if EBS is hosted on an Infrastructure-as-a-Service (IaaS) solution for example, without incurring additional cost relative to on-premise.

2. Practical Considerations

- 2.1 Three options were considered. The first option is to continue with Oracle’s Premier Support for an “on-premise” instance beyond December 2021 requires the Council to upgrade to a new version (12.2.8). This is the last significant upgrade of EBS planned by Oracle. This option was discounted because it requires a fundamental and costly change in middleware (the software that lies between the operating system and the applications running on it), with limited opportunity to achieve functional and feature improvement. Ongoing costs will be significantly higher than those for third-party support.
- 2.2 The second option considered is to adopt a new Software-as-a-Service (SaaS) alternative to EBS was also considered; often referred to as a “cloud-based solution”. Transition to cloud, even an Oracle Cloud, is a substantial undertaking. The Council would be forced to “adopt” different business processes because SaaS offer little opportunity to “adapt” the software to the way the Council works. Whilst this may be desirable in the longer-term it is considered too disruptive in the near term. The associated implementation costs will run to millions of pounds and the ongoing costs are higher than those for third-party support. Given the context of the Council’s strategic reset and financial constraints this option was rejected but will be revisited as the strategic reset progresses.
- 2.3 The final and preferred option is to procure third-party support as a direct replacement of the support provided by Oracle. A critical difference to support from Oracle is that it removes the option to upgrade to future versions of EBS

without purchasing new licenses from Oracle, but does nonetheless provide the important updates for security, tax regulations etc.

- 2.4 The Council identified and engaged with Rimini Street through the Government Digital Marketplace (“G-Cloud”). Rimini Street is arguably the leading global provider of third-party support to Enterprise Resource Planning (ERP) applications such as EBS. It is a 15-year old company, listed on Nasdaq, with over 1,300 employees, of which approximately 650 are full time support engineers. Turnover is \$300m a year with gross profits of around 12%. They operate in 120 countries with over 3,400 clients, of which 445 are currently receiving support for Oracle EBS. According to Gartner¹ they are by far the largest provider of third-party support with a market share of 86%.
- 2.5 In the UK, Rimini Street provides Oracle EBS support to: Durham County Council; Hull City Council; Derby City Council; Brighton and Sussex University Hospital Trust; National Blood and Transplant Authority; Debenhams; McDonalds; and Sainsbury’s. They also provide support in the UK for SAP² customers to: Kent and Essex Police, Nottinghamshire County Council, London Borough of Enfield, London Borough of Waltham Forest, and St Andrews Healthcare.
- 2.6 Due diligence including technical, operational, commercial and financial, has concluded that the Rimini Street proposition is sound and will not cause technical or operational diminution. There is nonetheless the inevitable risk that a shock event may cause Rimini Street to be severely disrupted or cease trading. If that occurs, then the Council is realistically faced with a choice of either: sourcing another third-party support provider, and whilst there are some, they are not of a comparable size to Rimini Street; or buying back licenses and support from Oracle on terms dictated by them (effectively a new implementation).
- 2.7 Rimini Street will provide all necessary EBS support including for the Council’s customizations. The onboarding process will take 6-months and relative to the two alternative options is non-intrusive because no system or infrastructure changes are necessary. It basically involves giving Rimini Street early access to build familiarisation and start logging tickets. It is also sensible to have Rimini Street alongside for the close and migration of the data centre. The key components of Rimini Street’s onboarding process include the following.
 - Project preparation and management – Establish resources, roles and responsibilities, communications and change management.
 - Software archive scoping – Scope and confirm archive components including patches, installation and upgrade software and documentation to develop an Archive Execution Plan and provide expert guidance and assistance to allow clients to download their identified archive content.
 - Technical onboarding management – Establish remote access connectivity, technical infrastructure and archive access.

¹ Gartner, is a global research and advisory firm providing information, advice, and tools for leaders in IT, finance, HR, customer service and support, communications, legal and compliance, marketing, sales, and supply chain functions.

² SAP is a leading enterprise software vendor.

- Tax, legal and regulatory management – Confirm global tax, legal and regulatory specifications.
- Account management services – Manage governance, communication and post-onboarding activities.

2.8 Whilst the Council has purchased and can use much of the Oracle EBC functionality available, it does not. Third-party support does not preclude the wider use of the Council's Oracle EBC to drive process efficiency and consolidate software applications. Rimini Street does provide implementation support and it will be significantly lower cost than with Oracle.

3. Financial Implications

3.1 The term of the contract will be November 2020 to April 2021 with options to extend for up to two further years in one-year increments. The value of the contract is £491,207 with the options to extend priced at £515,767 and £541,555 respectively (£1,548,529 in total).

3.2 In the 2020/21 finance year the cost of Oracle support for EBS was £1,285,745. This compares to the cost of £491,207 with Rimini Street. This amount is though payable to Rimini Street in the 2020 calendar year representing an additional cost in the 2020/21 financial year (it is budgeted). In the 2021/22 financial year the Council will not incur any support costs for EBS; effectively making a saving of at least £1,285,745 relative to what it would have expected to pay based on the cost of Oracle support in 20/21.

3.3 Prices for the extend and upgrade option (with Oracle) and the option to move to Software-as-a-Service are commercially sensitive and confidential. They both require longer-term commitments and cost millions of pounds in addition relative to the preferred option.

4. Legal implications

4.1 The Council has selected Rimini Street through the Government's Digital Marketplace ("G-Cloud"). General Counsel is satisfied that the appropriate terms are in place with Rimini Street and have been reviewed by external lawyers (Burgess Salmon).

5. Equalities implications

5.1 Given there will be no change to the EBS system, there are no foreseen equalities implications for staff.

6. Other corporate implications

6.1 Data protection – Rimini Street will not have any access to personally identifiable information. Rimini Street will not ever host, store, transfer, transmit or process any of our data, this is not a requirement for them to provide the services. All services are delivered in KCC's non-production/development/test environment, on KCC's systems with our data being under our control at all

times.

7. Governance

- 7.1 Vincent Godfrey, the Strategic Commissioner will inherit the main delegations via the Officer Scheme of Delegation.
- 7.2 This will include authority to exercise the relevant contract extensions identified within this decision and only subject to prior consultation with the Cabinet Member.

8. Conclusions

- 8.1 Giving the practical and financial considerations as well as timing, awarding a contract to Rimini Street provides business continuity, a significant cost saving, opportunities for short-term efficiency, and allows time to consider its requirements for replacing EBS in the context of its strategic reset and financial constraints if that is necessary.
- 8.2 The contract with Rimini Street will be awarded until April 2022 with prices for options to extend linked to indexed inflation. Rimini Street can provide support for Oracle EBS 12.3.1 longer term if necessary, as reflected by them still supporting clients running Oracle EBS 10.7 (Oracle cut-off in 2003), so awarding to Rimini Street does not create a “burning platform”.

9. Recommendation(s):

9.1 The Cabinet Member for Finance, Corporate and Traded Services is asked to agree to:

- award a contract and the permitted contract term extensions to Rimini Street for the support of the Council’s Oracle E-Business Suite (November 2020 to April 2021);
- delegate authority to the Strategic Commissioner, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to activate the permitted contract term extensions; and
- delegate authority to the Strategic Commissioner to take other relevant actions, including but not limited to entering in contracts and other legal agreements, as required to implement this decision

as per the Record of Decision, attached as Appendix A.

10. Background Documents

- Submission to the Policy and Resources Committee on 29 July 2020
- Appendix A – Record of Decision

11. Contact details

Report Author:
Vincent Godfrey, Strategic Commissioner
03000 419045
Vincent.godfrey@kent.gov.uk