TmaxSoft

SOFTWARE COSTS IN LONDON

IN THE AGE OF AUSTERITY

The time is right to look at new software suppliers

London councils are currently half way through a scheduled 40% cut in funding from central government. Having delivered £10 billion of savings in the three years from 2011/12, local authorities have to find the same savings again in the next two years. Councils in many areas will struggle to find enough money to meet all their statutory responsibilities.

Local circumstance dictates what options are available for quick cost savings or income generation and the nature of the decisions that need to be made to achieve a sustainable financial position.

However, it is our contention that there are hidden cost savings still to be found, not least in the provision of software services. And while this may sound like a traditional Software Asset Management message, TmaxSoft believes that now is the time for all 32 London Boroughs to review software suppliers to see if further cost can be driven out of the system by using more cost-effective options.

2015/16 is shaping up to be a year when many London Boroughs will have to make very difficult choices about which services to prioritise. Some have already been reduced and may need to be cut altogether. There is no single reason why 2015/16 should be such a difficult year (although nationally the cut in government support to local authorities will be the largest since 2012/13), but rather the squeeze is a result of an accumulation of funding reductions, expenditure pressures (which have been building over a number of years) and a series of other risks.

Rethinking service delivery

In order to avoid cuts to services, authorities are increasingly looking for ways to rethink service delivery to ensure that services remain fit for purpose in the context of smaller budgets. For some, this means revisiting the expectations of residents in order to protect services for the most vulnerable. It is also an opportunity to work with partners and neighbouring authorities to maintain and improve outcomes of public spending.

Councils have to consider other ways to strengthen their financial position, ranging from income generation to changes in local taxation. It will also mean a forensic look at all expenditure.

But slashing services is not the only method of curbing costs: achieving efficiencies in government processes, procurement and management can also make kinder cuts.

One of the simplest, quickest and most effective methods for achieving efficiency savings: the proper management of software assets.

Software alone accounts for around 35% of all public sector IT spend, so it's vital that software is effectively acquired, deployed, used, managed and retired. If organisations do this, they can achieve immediate efficiencies, as well as realising significant cost savings over the software lifecycle.

By the same token, those that fail to manage their software effectively will inevitably incur significant and unnecessary overspend which, in the current belt-tightening climate, is simply unacceptable.

Furthermore, our research has also highlighted the very real issue of software audits in local government across London, which would indicate that between 10% and 13% of all local councils in the UK are audited each year and at a substantial cost to the Council Tax payer.

It is our belief that the Council Tax payers of London would be far from impressed with their local council if they are found to be paying fines for expensive software. The very real threat to reputation should surely drive local authorities, not just in London but across the UK, to look for cost-effective answers.
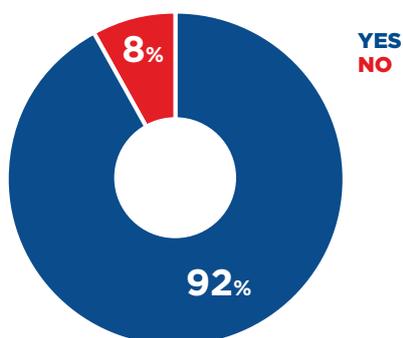
Oracle in London

Oracle proudly claims that nearly 100% of Local Government organisations use Oracle's database software as a platform for at least some of their information systems. Here at TmaxSoft, by means of a Freedom of Information (FoI) request, we investigated the level of spend the 32 London Boroughs are making with Oracle, and to ascertain how many had been audited over the past year.

Methodology

Of the 32 London Boroughs, five did not respond within the allotted FoI timeframe.
Our figures are therefore based on a total sample size of 27 and so the figures here
are relative percentages.

1 Are you currently using any Oracle software?

The actual percentage of councils using Oracle is 92% amongst those that responded.
Westminster and Kensington and Chelsea are two notable exceptions stating that they had
no Oracle within their IT estates and Barnet is currently in the process of de-commissioning
their Oracle estate. Oracle's foothold in London while not total, is almost monopolistic and
begs the question as to why the Councils have not worked together on procurement.

8%

YES
NO

92%

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2. In the past two years, how much have you spent on Oracle?

This question was designed to find out how much had been spent on this one software
vendor over the past few years to try and get some idea on the scale of the investment
being made, and the cost to the Council Tax payers of each Borough. The responses
threw up the role of third party systems integrators and managed service providers in local
government, with a larger than expected number of Councils not able to furnish the data
as a result:

- Of the 27 Councils just over one third (37.1%) have in place a third party
  MSP contract which meant that they did not have the transparency required to answer
  the question

- However, of those councils that did respond to the question, 37% have spent
  in excess of £100,000 in the past two years

- Of that, 14.8% spent over £500,000

- Councils that spent under £100,000 accounted for 25.9% of those
  who responded

- Barking and Dagenham, Bexley, Camden, Ealing, Lambeth and Lewisham spent
  between £100,001 and £500,000

- Croydon, Greenwich, Havering and Hillingdon each spent over £500,000

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3. In the past two years has the average cost of your Oracle licence costs changed?

The purpose of this question was to highlight whether or not the London Boroughs have faced increases in costs associated with software licensing, at a time when pressure to deliver savings has increased.

Alongside our research we also cross referenced publically available data on how many Councils increased Council Tax in the forthcoming financial year:

- Every council in London has seen a reduction in its Settlement Funding Assessment (SFA) of between 13 and 16%
- Spending power has decreased on average by 5% in the 2015/16 financial year
- And 8 of the 32 Councils have increased Council Tax for the same financial year

It is in this context that IT spend more broadly, and software in particular needs to be looked at as a potential area for savings.

And yet:

- Just over a tenth (11.1%) of Councils have seen their spend on Oracle remain static
- A third have seen costs rise by up to 20%
- 3.7% reported an increase in spend by over 100%
- Again figures were not available in 40.8% of the sample that responded
- Only 3.7% reported a substantial drop in spend of over 60%

A third of Councils have seen Oracle costs rise by up to 20% in the past two years

4. In the past two years, to what percentage of your overall budget have you spent on Oracle?

Our research went on to analyse how much of the existing software estates within London Boroughs comprised of Oracle and how much of that budget was spent:

- The picture is mixed, with the overwhelming majority of the sample, 37%, stating that Oracle amounted to up to 20% of its software estate budget. This equates to ten Councils
- One council – Lambeth – reported it was spending 100% of its budget on Oracle
- The non-response level to this question was 59.3% with many answers coming back from Councils claiming it was the responsibility of its service provider, and that that information was held by third parties

One council – Lambeth – reported it was spending 100% of its budget on Oracle

5. Has Oracle conducted an audit within your organisation within the past year?

Software audits are commonplace and many of the large enterprise software vendors have a reputation for regularly running audits within their customer base.
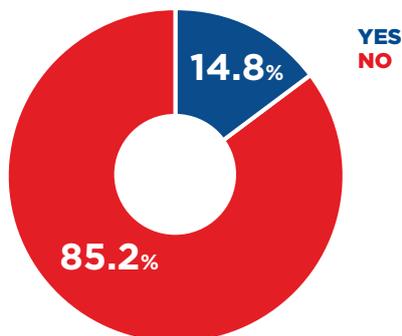
It would appear that local government is no exception.

According to the research 14.8% of those London Councils who responded have been subject to an audit by Oracle in the past year.

In hard numbers that is four of the 25 who answered the Freedom of Information request. It included Bromley, Ealing, Islington and Lewisham.

There are a total of 433 local authorities in the UK.

If this figure of 14.8% in London is correct, then each year in the UK a total of 64 councils will be subject to a software audit by Oracle, at huge potential cost to the Council and therefore the Council Tax payer.

14.8% YES
NO

85.2%

Each year in the UK a total of 64 councils will be subject to a software audit by Oracle, at huge potential cost to the Council and therefore the Council Tax payer

What is driving change in the public sector now more than ever, is the need not only to contain costs, but reduce them while keeping control of the organisation's processes.

Managing software estates is essential to deliver three core outcomes:

- Cost reduction and control
- Performance optimisation
- Compliance management

Our research has highlighted not only the extent of Oracle within local authorities in London, but the scale of its income, and the level of audits it is prepared to make in order to protect that income.

For local authorities, with budgets cut and increasing pressures on them to deliver services with less, then one area they could look at should be the costs associated with their IT estate.

Not only that, some Councils are already looking at dynamic new ways of working, such as Shared Services. Back office functions – powered by database technology – need to be considered as a means of dramatically reducing the costs associated with service delivery across the Capital and beyond.

Why talk to TmaxSoft

Public sector IT budgets are at best static year-on-year, at worst being severely squeezed. Heads of department are expected to do more with less and efficiency and cost savings are high on the agenda for many local authorities.

One of the biggest drains on budgets is the support and maintenance of existing software applications, especially for those based on Oracle.

There is a sense in organisations that there are no real alternatives with little option but to keep meeting the challenging commercial demands of Oracle as a result of underlicensing or reported license mis-use.

If your Authority is looking to renew an enterprise agreement, renew a support agreement, has concerns over its virtualised environment or is concerned over potential underlicensing and would welcome a serious discussion with a credible alternative, then TmaxSoft can help.

How TIBERO can help:

- The only commercial database that offers Oracle compatibility and makes migration as risk-free and simple as an Oracle upgrade
- Offers freedom of choice and allows organisations to retain their investment in people
- Credible alternative to existing Oracle deployments

Cost take down

TIBERO from TmaxSoft, offers a compelling alternative to Oracle for the public sector, by providing a massively reduced TCO based on:

- Recognition of ALL virtualised environments, so you only pay for what you use
- In general, applying lower core factors for hardware
- Database options are at no cost, unlike Oracle

TIBERO is Oracle compatible, meaning all the database applications that your authority runs – whether in-house or those from commercial software companies – can be ported with minimal effort.

Risk reduction

As an enterprise database management system, TIBERO meets the needs of performance by supporting the database infrastructure.

It enables the cost-effective use of system resources to provide excellent performance. TIBERO provides an easy-to-use development environment and management tools. Based on complete compatibility with Oracle, the time to change existing applications is minimised, and existing database personnel can be reused in a new TIBERO environment.

Because of its Oracle-compatibility the time to positive ROI with TIBERO is weeks, not months.

Investment in people

Existing internal support staff, database administrators and PL/SQL developers will find TIBERO intuitive and will be able to retain their skills set with no need for retraining.

TCO savings by swapping out Oracle can be reinvested in your people and your constituents.