

## **Performance and Finance Scrutiny Committee**

18 April 2024 – At a meeting of the Performance and Finance Scrutiny Committee held at 3.00 pm at County Hall, Chichester, PO19 1RQ.

Present: Cllr Bradbury (Chairman)

Cllr Burrett	Cllr N Jupp	Cllr Turley
Cllr Boram	Cllr Lord (virtual)	(virtual)
Cllr Elkins	Cllr McDonald	Cllr Wall
Cllr Gibson (virtual)	Cllr Milne	Cllr Baxter (substitute for Cllr McKnight)
		Cllr Payne (substitute for Cllr Baldwin)

Apologies were received from Cllr Baldwin, Cllr Britton, Cllr Linehan and Cllr McKnight

Also in attendance: Cllr Hunt, Cllr Marshall and Cllr Waight

### **1. Election of Chairman**

- 1.1 Cllr Bradbury was proposed for the position of Chairman for one year by Cllr Burrett. The proposal was seconded by Cllr Boram. There were no other nominations.
- 1.2 Resolved – that Cllr Bradbury is duly elected as Chairman of the Committee for a period of one year.

### **2. Election of Vice Chairman**

- 2.1 Cllr Burrett was proposed for the position of Vice-Chairman for one year by Cllr Bradbury. The proposal was seconded by Cllr Wall. There were no other nominations.
- 2.2 Resolved – that Cllr Burrett is duly elected as Vice-Chairman of the Committee for a period of one year.

### **3. Business Planning Group Membership**

- 3.1 Resolved – that the Committee appoints the following members to its Business Planning Group: Cllr Bradbury (Chairman), Cllr Burrett (Vice Chairman), Cllr Elkins, Cllr Lord and Cllr Turley.

### **4. Declarations of Interest**

- 4.1 No declarations were made.

## **5. Minutes of the last meeting of the Committee**

- 5.1 Resolved – That the minutes of the meeting held on 8 March 2024 be approved as a correct record and that they be signed by the Chairman.

## **6. Additional funding and procurement of services to support the implementation of the business management systems to replace SAP**

- 6.1 The Committee considered a report by the Director of Finance and Support Services and Director of Human Resources and Organisational Development (copy appended to the signed minutes).
- 6.2 Summary of responses to committee members' questions and comments:
- The £2.6m cost of the programme mentioned in the 2019 decision report was based on buying an off the shelf enterprise resource planning system (ERPS), but it became clear during the implementation period that this option would not work for the Council
  - In 2022, East Sussex County Council budgeted £13.1m for a similar system due to go live in April 2023 - it is believed this budget has been exceeded and the system has yet to go live
  - The cost of implementing this type of system can vary between £4m and over £100m. The overall cost depends on the size of the organisation, the compatibility of the existing and new systems and the level of adaptation that has taken place on the current ERPS.
  - The Council's SAP system has been modified almost continuously for the last 20 years, meaning extracting information from it is extremely difficult
  - The advantage of adopting a system instead of adapting one is that it preserves the new system for longer and keeps it at the highest level of efficiency as it will be regularly upgraded
  - It is believed that up to 30% - 40% of the money spent so far would have been spent anyway on functional specifications (technical, migration and development)
  - The pandemic and an underestimation of the complexity of the programme are contributory factors to the increase in costs
  - The business case includes 24 different milestones so it will be easy to monitor whether the programme meets timescales or not – there is also a six-month time contingency built in across the two year programme
  - A robust governance system has been designed that allows for regular reporting of progress to senior officers and to the Committee
  - Updates on progress and expenditure will be provided on a monthly basis to a steering group

- Authorities which have implemented similar systems have made some savings although these have not started to be realised until approximately three years post implementation
- The revised business case is underpinned by a detailed resource plan
- To implement the programme, the Council will use a mix of internal staff and external providers with relevant expertise
- The £4m contingency built into the programme budget is based on known risks which are detailed in the business case
- A lot of work has taken place over the last few months on soft market testing with interest from an encouraging number of suppliers
- A Procurement working group is currently developing tender documents to secure both a business and system implementation partner which will be key to the success of the programme
- Oracle Fusion meets 96% of the Council's requirements and solutions can be found for the other 4%
- The Council is engaging with staff around changes that will be necessary with the new system and £500k has been set aside for training
- The Council is confident that the risks identified are the right ones
- Lessons learned from authorities that had problems with implementation show the need for good governance, appropriate resources and organisational readiness – this is being addressed through the implementation programme
- Staff resources to implement the new system will be covered by a mix of business as usual and new roles – **ACTION:** Director of Human Resources and Organisational Development to find out the number of staff roles to be backfilled
- Introducing Oracle Fusion will mean changes to the culture and the way people work across the Council, but the benefits will outweigh any disadvantages
- The Oracle Fusion system has improved since the Council first looked at it - it is now more intuitive than SAP and will replace some of the lengthy processes that the Council currently follows
- Work with the officer leadership groups has taken place to gain their understanding and support of the new system
- A business change partner will be appointed to help with the change process
- Oracle Fusion is part of a bigger organisation than the Council and has safer cyber security of its cloud-based IT system
- Any unanticipated system specification/technical changes will be covered by good governance and have been allowed for in the programme's budget
- Schools were added to the Oracle Fusion specification in 2022 at a cost of more than £1m
- Until there is a new system implementer it won't be known how much of the work and associated cost will be used in the next stages of implementation
- Ernst & Young, the Council's external auditors, have looked at the Oracle Fusion implementation cost as part of their annual

audit report for 2022-23, and they will look at it again as part of their annual report for 2023-24

- Funding for Oracle Fusion will be through a combination of capital receipts and use of reserves – the precise split of the funding has not been determined as yet but at the end of the year the most cost-effective way of funding will be decided
- The £21m assumption of capital receipts is based on capital receipts already received and that are in the Capital Receipts Reserve
- There is a risk with the amount of capital receipts from real estate in terms of times of sale and price

### 6.3 Resolved – that the Committee: -

- i. Recognises the large budget and timelines involved and seeks assurances in terms of the budget now being allocated, the timelines involved and how risks will be managed
- ii. Is assured that the information contained within the report is achievable and that lessons have been learnt from previous experience
- iii. Is assured that the Council is in a better position now than when it started to implement the new system
- iv. Is assured that the Council is able to adapt its business systems, staff culture and engagement to successfully implement a system of this nature
- v. Raises concerns over the new requirements of the system and whether the originally identified savings are still achievable
- vi. Recognises the detail contained within the report and requests that the Committee is kept updated on progress on a regular basis, including a regular progress report at each of its future meetings
- vii. Recognises the business changes required and requests that the impact of this be carefully managed through staff engagement, training, sufficient resource allocation and backfilling of roles
- viii. Recognises the importance of the appointment of the business implementation partner in the programme's success
- ix. Welcomes the stronger governance systems in place
- x. Recognises that cyber security will be improved by implementation of the new system
- xi. Seeks assurance over the sufficiency of the capital receipts allocated to fund this programme and the impact on future borrowing requirements
- xii. Looks forward to receiving future monitoring reports through the life of the programme
- xiii. Due to the changes in processes envisaged across the Council as a result of the "adopt not adapt" strategy to implementing the new system it is recommended that the Chairman of the Regulation, Audit and Accounts Committee ensures that adequate Internal Audit input is sought

## 7. Date of next meeting

- 7.1 The Committee thanked Taryn Eves, Director of Finance and Support Services, for her support of the Committee during her time at the

Council and notes its next meeting will take place on 21 June 2024,  
commencing at 10.30am.

The meeting ended at 4.45 pm

Chairman