

Report to Cllr Steve Waight, Cabinet Member for Support Services and Economic Development

April 2024

Implementing Oracle

Report by Taryn Eves, Director of Finance and Support Services and Gavin Wright, Director of Human Resources and Organisational Development

Electoral division(s): all

Summary

The Council's business management system (SAP) needs to be replaced in order to maintain and improve many of the Council's core activities, including payment of staff and suppliers, debt recovery and income collection, financial management information and statutory accounting, procurement of goods and services, and HR administrative functions. Previous decisions approved the implementation of a new Enterprise Resource Management (ERP) system, Oracle Fusion. The programme experienced a number of setbacks due to various factors and was paused for a review and for a programme re-set.

Following a comprehensive review of options for the programme's future delivery this report makes recommendations to continue with the implementation of the Oracle Fusion Cloud solution, with a stronger focus on business change to align business processes and ways of working to the new technology, strengthened and more carefully resourced programme management and governance supported by a new set of suppliers with a robust procurement and commercial strategy.

Recommendations

The Cabinet Member for Support Services and Economic Development is asked to approve:

- (1) The implementation of Oracle Fusion Cloud as the preferred ERP solution;
- (2) Additional funding of up to £26m over the period 2024/25 to 2027/28, including the procurement of external support, a programme delivery team and a contingency of £4m;
- (3) The commencement of a series of procurements for external suppliers to support the delivery of the programme;

- (4) Additional revenue resources of up to £500,000 that may be required after implementation as a result of the new operating model and systems that will be in place; and
 - (5) Delegation of authority for contract award and any subsequent decisions and awards relating to these contracting arrangements to the Director of Finance and Support Services and the Director of HR and Organisational Development.
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Proposal

1 Background and context

- 1.1 In January 2019, a decision was taken to procure a cloud ERP system to replace the County Council's ageing business management system, SAP. This decision was made due to varying factors, including the announcement from SAP that they would be withdrawing their technical support and security updates to the system by 2025. This is now expected in 2027.
- 1.2 A new ERP system will provide a number of benefits compared to the existing system, using modern technology to provide improved workflow and business processes, improved data quality with enhanced analytics and insight and improved workforce planning capabilities. It will provide built-in risk management and improved compliance, simplified, streamlined processes and an intuitive user experience. It should be responsive to the needs of a more agile workforce and give a greater focus on innovation and adding value to business process management.
- 1.3 A decision was taken in November 2019 [ECR01 19-20](#) to procure a system implementation (SI) partner to lead the implementation of a cloud based system (Oracle Fusion became the chosen system). At that time, a budget of £2.6m was agreed. Later decisions were made to deliver business change through a combination of other suppliers and Council staff and to reset the programme budget to £14.07m (£7m in March 2021 [ECR07 20-21](#) and £7.07m in October 2022 [SSED03 22-23](#)).
- 1.4 Due to various delays and difficulties experienced in the programme, the Council undertook a joint review with its implementation partner in summer 2023. This concluded with an agreement to terminate the contract, with the Council taking on sole responsibility for the programme from September 2023. Following this decision, it was agreed that officers would review the options for the programme's future delivery, alongside a review of the resilience of the current SAP systems as these continue to be relied upon until replaced.
- 1.5 A comprehensive review of the programme has been carried out, using relevant system expertise, and drawing on the experience of other organisations which have achieved a successful ERP implementation. External advisers were asked to test the compatibility of the chosen ERP system, Oracle Fusion, both as a fit with the Council's requirements and as a comparator to other available solutions or approaches. A careful analysis of the lessons from the programme to date and the changes required to achieve more robust controls over programme costs and delivery milestones was also undertaken. This has been tested against a number of principles and programme objectives to arrive at the proposals for the future programme.

- 1.6 The proposed programme is founded on research, engagement with potential suppliers and with other local authorities who have implemented Oracle Fusion, as well as engagement with Oracle. It seeks to ensure risks are costed and managed proactively. To realise the benefits of the programme, the objective is to 'adopt not adapt' new technology. Whilst this will result in simpler systems led by industry leading practice, it requires a period of intense business change while the Council realigns its processes and ways of working. Previous iterations of this programme failed to recognise the scale of this task and the programme will redress this through a well-planned, properly resourced business change approach.

2 Proposal details

- 2.1 The proposal is to begin a refreshed programme to implement Oracle Fusion as the preferred ERP system, based on a model of 'adopt not adapt' with a new set of suppliers for delivery within the timeframe indicated in paragraph 5.3. The go-live is planned for the different elements for December 2025 and April 2026.
- 2.2 To enable completion of the programme, additional funds are required for the following:
- 1) An increase in current Oracle licence arrangements to account for new requirements identified since the initial contract, as well as an extension initially for 2 years.
 - 2) A Systems Integrator (SI) to implement Oracle Fusion
 - 3) External IT suppliers to build third party integrations
 - 4) A Business Implementer (BI) to support the management of business change
 - 5) An external supplier to provide an interim managed support service
 - 6) An external supplier to provide training
 - 7) Additional resource to backfill key staff positions (see paragraph 2.3)
 - 8) Technical experts to support the IT team to deliver the programme
 - 9) Additional hardware, operating system and database licensing to maintain the current SAP system in the interim
 - 10) A data archiving solution to prevent loss of legacy data and non-compliance with regulatory data retention requirements
 - 11) A budget for technical changes to the programme recommended by the business design authority within the programme's governance.
- 2.3 A full resource plan has been developed and costed to reflect the need for focused subject matter expertise. This is weighted towards backfill of staff to cover business as usual activities in order to release staff to work full time on the programme. This reflects the need for existing knowledge and expertise of Council systems and ways of working in the change programme, as well as supporting knowledge transfer of the new system and new ways of working back into Council teams. This addresses a key lesson from the original programme. Specific interim specialists with knowledge and experience of ERP programmes in local government will also be recruited to develop, support and manage the programme.

- 2.4 A business change partner will be procured to assure transformation and embedding of change in the organisation. This is a critical part of the delivery of the programme, as previous attempts to manage this change in-house were not successful. A business change partner will provide the knowledge, experience and structures to enable the Council to align its working practices to make the best use of the new technology.
- 2.5 Work on the Target Operating Model (the way the Council and its operations should be set up to make optimum use of the new system) for all business processes and relevant roles, will proceed alongside the programme's technical delivery. It will be owned and led by the Council, with support from the business change partner. Workforce impact will be driven by business process adoption and software licensing constraints, to preserve the principle of 'adopt not adapt' and realise efficiencies through introduction of modern technology. Again, this is critical as a preference for adapting technology to align with established ways of working has been a contributing factor in organisations which have failed to successfully implement new ERP systems.
- 2.6 A strengthened communications plan will cover operational and strategic benefits, as well as associated behavioural change as individuals adopt new ways of working, including the use of self-service. The programme will work with the Executive Leadership Team, and across the Council, to support cultural and behavioural change, aligning messaging to the programme's strategic objectives.
- 2.7 There will be a renewed focus on developing a robust commercial and procurement strategy to ensure that the timing, resourcing and management of contracts are prioritised and risks are continually reviewed and mitigations put in place to deal with them and respond to changes in areas of risk or the focus of contract management.
- 2.8 Work on a clear, defined scope and detailed requirements has been completed and is being tested through market engagement with potential suppliers. Greater clarity on requirements is essential to ensure that expectations from suppliers are clear from the outset and that they can be held accountable through appropriate contract management and payments against delivery of agreed milestones. Although some refinement is necessary with suppliers, the level of understanding of Council requirements, as well as market engagement, puts the Council in a much-improved position than at the similar pre-procurement stage in 2019.
- 2.9 Suppliers will be drawn from a pool of those with experience in both knowledge of Oracle Fusion and local government. Soft market testing for the larger procurements with known business implementers (BIs) and system Integrators (SIs) will help ensure a number of bids in order to select the right delivery partners. This was a key lesson from the previous procurement, where a very small number of bids limited the choice of available expertise.
- 2.10 The proposal is to commence the programme in May 2024. This will involve procurement of a BI and SI, with the remaining procurements following on. The procurements are complex and have therefore been sequenced to ensure the benefits of BI experience and expertise early on, to support the Council with the final stage of procurement of the SI and other suppliers and commence the early stages of business readiness for change. The timetable for the planned expiry of certain elements of the existing SAP system, including the

procurement module in late 2025 has brought a new urgency to delivery of the programme against the procurement and implementation timeline. The sooner the procurement process is underway the better.

- 2.11 New governance and structures are in place to support programme leadership, with a wider Programme Plan in development. The programme Steering Group will report regularly to the Executive Leadership Team to ensure that the Programme Plan is fully understood and prioritised to minimise risks and their associated costs. Regular updates will be provided to Members through the Cabinet Member and Performance and Finance Scrutiny Committee. Regulation Audit and Accounts Committee may also wish at a relevant point to follow up its previous consideration of the internal audit oversight and the approach to risk management once the programme is running once again.
- 2.12 Additional resources to support the Cloud business as usual activity following implementation will be identified as part of the programme. Some may be met by existing budgets but additional costs of up to £500,000 may be required and these will need to be assumed as part of the medium-term financial position and future budget setting.
- 2.13 Alongside programme implementation, a separate project, led by IT, is underway to ensure continued service of current SAP systems until 2027 whilst Oracle is implemented. Costs are estimated at £0.875m and are included in the proposed budget envelope.

3 Other options considered (and reasons for not proposing)

- 3.1 A number of other options were considered including selection from 'best of breed' models, a shared service with another Council, or other ERP providers. These options are not proposed because, following the consideration of external advice and its assessment of those options, the conclusion was that they do not meet the programme objectives as fully as the preferred solution. The conclusion of that assessment was that they would not offer a simplified, easy to manage system which follows industry best practice and would require either more expensive overall solutions or require unnecessary customisations and that these options would therefore lead to increased risks to on-going technical support and cost control.
- 3.2 Research was commissioned from external experts to validate the option to continue with Oracle Fusion. This confirmed a 96% fit with Council requirements, and that Oracle remains strong in the local government sector. The research found that implementation risks are reduced if suppliers selected to support the programme have the right experience and a number of critical success factors are adhered to, including business change. This ensures the new system is adopted, rather than adapted. These critical success factors are built into the Programme Plan.

4 Consultation, engagement and advice

- 4.1 Over the last nine months, officers from across the programme have been engaging with a number of other authorities who have implemented a similar ERP system, including more thorough reference site visits at Waltham Forest and Cornwall Council who have recently and successfully implemented Oracle but who are at different phases of implementation. It was possible to review their own challenges and measures to address them and also to recognise the

similarity of the conclusions of our own lessons learned activity when seeing the experience of those two councils. In addition, a detailed functional review with Oracle has taken place. These also reaffirmed lessons learned by the Council and helped inform the programme's critical success factors and overall change in approach.

- 4.2 The Council is undertaking soft market engagement with SIs and BIs with both local authority and Oracle Fusion experience to test market appetite, availability and further refine proposals.
- 4.3 The Executive Leadership Team has been consulted on the approach to delivering the programme and are supportive.
- 4.4 The Cabinet and Performance and Finance Scrutiny Committee have been updated on progress with the review and reset of the programme.

5 Finance

- 5.1 The current approved budget for the programme is £14.070m and has been subject to an external value for money audit by Ernst and Young. Table 1 provides an outline of the £12.946m spend to date. It is expected that some of the output from the spend to date will be utilised as part of this next phase of the programme implementation and will be discussed with the new SI and BI as part of their onboarding. This includes Oracle licence costs, progress with data cleansing and data migration mapping, functional, technical and reporting specifications and designs and EPM – a system that will be utilised to support budget planning processes and the IT architecture plans.

Table 1 – Spend to Date

Type of Spend	Budget	20/21	21/22	22/23	23/24	Total
	£m	£m	£m	£m	£m	£m
Design and preparation	12.772	1.502	1.934	3.965	3.349	10.750
Licensing, Support & Maintenance	1.298	0.519	0.718	0.098	0.003	1.338
Other SI costs					0.858	0.858
Total	14.070	2.021	2.652	4.063	4.210	12.946

- 5.2 The total additional estimated cost to complete the programme is £27.048m as set out in Table 2, of which £25.924m additional budget is required. The additional budget requirement will be funded through a combination of capital receipts by applying the 'flexible use of capital receipts' direction and use of the 'Transformation Reserve' and/or 'Budget Management reserve'. An indication for illustrative purposes of the split of funding is shown in Table 2 but will be dependent on the forecast level of capital receipts being realised. Use of capital receipts for the funding of the Oracle Programme reduces those available for funding of the overall capital programme thereby potentially increasing the need for borrowing. Any need for new borrowing will be considered as part of the review to develop the 2025/26 capital programme. Every £1m of new borrowing equates to approximately £60,000 in borrowing costs.
- 5.3 A decision on the final split of funding between capital receipts and use of reserves will be taken each year by Cabinet as part of approving the outturn Performance and Resources Report, based on the advice of the Director of

Finance and Support Services. Use of reserves will be minimised through maximising the use of future capital receipts. Any use of reserves will need to be replenished over the five years from 2026/27 onwards and will be assumed within the County Council's Medium Term Financial Position which will be revised and published in July.

Table 2 – Forecast Spend to complete the programme

Additional Costs / Budget Requirement

	23/24	24/25	25/26	26/27	27/28	Total
	£m	£m	£m	£m	£m	£m
Licensing (Oracle)			1.243	1.243		2.486
Systems Integrator (SI)		2.500	1.000	0.500		4.000
Business Implementer (BI)		2.000	1.000			3.000
Managed Service Provider				0.600	0.300	0.900
Training provider			0.200	0.300		0.500
Third party integrations		0.600				0.600
Staff Resources		2.424	3.268	1.611		7.303
IT resource		0.998	1.169	0.367		2.534
SAP maintenance	0.180	0.490	0.090	0.115		0.875
Business Design Authority		0.150	0.100			0.250
Data archiving		0.330	0.090	0.090	0.090	0.600
Contingency		1.000	1.000	2.000		4.000
TOTAL	0.180	10.492	9.160	6.826	0.390	27.048
Existing Approved budget	(0.180)	(0.944)	-	-	-	(1.124)
Additional Budget Requirement	-	9.548	9.160	6.826	0.390	25.924
Assumed to be funded through capital receipts		(9.548)	(9.160)	(2.216)	-	(20.924)
Assumed to be funded through reserves				(4.610)	(0.390)	(5.000)

5.3 Costs are based on a programme run time of up to three years, commencing in May 2024, with go-live dates of December 2025 for Finance and Procurement, and April 2026 for Payroll and HR, with sufficient post implementation support of up to 6 months.

5.4 Estimated costs are based on current market value and costs incurred at other, similar sized local authorities. Oracle licence costs are based on current costs plus an allowance for inflation over the implementation period. The estimated costs for the SI and BI have been validated through the soft market engagement that is currently under way and costs incurred by other authorities. The staff resources required to deliver the plan are a combination of backfill for existing staff for business as usual (BAU) activities and external expertise and has been estimated through the development of a full post by post resource plan that underpins the delivery of the implementation. Other costs (Managed Service Provider, Training Provider, Third Party Integrations,

Data Archiving) are based on knowledge of the market. The estimated costs for SAP maintenance are based on the outcome of negotiations with SAP directly.

5.5 Strong risk management is in place through the governance arrangements but contingency has been set at 15% (£4m) of the total requested budget to cover uncertainty in estimates and potential for risk of delay.

5.6 Some additional resources are expected to be required to support the Cloud business as usual activity which are not included in the budget requirement set out in this proposal. These resources will be identified as part of developing the new target operating model for support services and operating the new system and consideration will be given to redeploying existing posts, re-defining roles to contain any additional costs within existing budgets. However, some additional costs may be required and therefore, an allowance of £500,000 has been identified and will need to be assumed as part of the medium-term financial position and future budget setting.

5.7 The effect of the proposal:

(a) **How the cost represents good value**

Oracle Fusion meets the Council's business needs and objectives, whilst offering similar and relevant functionality to traditional onsite ERP solutions at a lower cost. The additional budget requirement needed to complete the programme and fully implement Oracle Fusion have been validated through discussions with other authorities who have implemented an ERP solution and soft market engagement with potential system integrators and business implementors. These resources are critical to the programme's delivery. The new approach to business change, procurement and programme management, supported by external experts, will ensure that the programme remains on track to deliver on time.

(b) **Future savings/efficiencies being delivered**

Services will be procured competitively and the procurement will be designed and implemented to ensure best value. The nature of the new technology may deliver a number of efficiencies over the medium term across Finance, HR, Procurement and IT based on the experience of other authorities who have implemented Oracle Fusion but are likely to be realised in the medium term and when the new system and processes are fully embedded into ways of working.

(c) **Human Resources, IT and Assets Impact**

HR and Finance Subject Matter Experts (SMEs) are required to support the programme full time. Extra resources will be provided to support business as usual processes. IT resources will also be required to support external experts with knowledge transfer. These dependencies are reflected in the programme plan and the appointment of additional resources will be in line with the County Council's HR policies and processes. There are no impacts on Council assets other than those related to the IT asset base impacted by the move to Cloud based services.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
1. Unrealistic timetable	Detailed replanning exercise undertaken to ensure the timetable for the programme is realistic and underpinned by supporting strategies such as data migration and payroll validation, and that it is appropriately resourced. Go-live dates staggered in order to manage timelines and key milestones, allowing finance and procurement systems to be fully embedded before HR and payroll go-live.
2. Increased/unbudgeted costs	Strong governance arrangements have been put in place to ensure that the programme remains on plan. Estimated costs are subject to market procurement, but are based on a strong set of assumptions, are in line with programme budgets of similar sized authorities and with a budgeted contingency of £4m aligned to a risk profile.
3. Insufficient contract/commercial management and inability to progress the programme as required.	Procurement focused on securing external suppliers with the requisite local government experience. Investment in new roles to support the programme to lead on commercial activities. Improved commercial relationship with suppliers, ensuring robust contract terms are leveraged for greater accountability.
4. Insufficient understanding of detailed requirements to relay to suppliers.	Work undertaken, supported by external experts, to improve and validate the requirements so suppliers are clear on the needs of the Council and using the 'adopt' principle.
5. Lack of system availability post go-live to perform business critical activities. SRM (Procurement) out of support 31/12/25 so risk profile increases.	Separate project underway to ensure continued service of other SAP aligned applications, hardware and solutions till at least 2027, to ensure continuation of SAP whilst Oracle is implemented. The procurement is prioritised in the Programme plan to be ready by October 2025. If the timeline is not met, an interim solution will be needed. £100k per year contingency for this is included.
6. Target Operating Model (TOM) not designed and implemented in time.	Work on TOM to encompass all factors of people, process, systems and governance to enable adoption of new technology and associated ways of working, aligned with the delivery plan and testing activity.
7. Benefits case not fully understood or properly measured and change management does not achieve required business readiness.	Business change partner and training provider procured to fill a Council capability gap and ensure knowledge transfer to Council staff. Dedicated communications resource and strategy in place to ensure that affected teams are engaged early and throughout the process. Benefits management strategy includes a plan to gather and baseline data to monitor progress against specified KPIs. Implementation of Oracle included on the Corporate Risk Register and managed through ELT.

7 Policy alignment and compliance

- 7.1 Our Council Plan: Replacing current systems aligns to Priority 4: Making the best use of resources. A new system would put users at the centre and improve functionality. With the adoption of greater automation, it will free up staff time to focus on service delivery, delivering change and continuous improvement. A

new integrated system will support effective governance with good decision-making and management across the Council. This will ensure we deliver the best for our residents. It also aligns with Priority 2: A sustainable and prosperous economy. Upgrading the digital infrastructure of the Council mirrors the outcome the Council wants to achieve for the wider community. It will help support innovation inside the Council and better support staff on their training and development journeys.

- 7.2 The Council will deliver the procurement in accordance with its legislative obligations at that time. The Council will enter into a services contract using terms and conditions, approved by Commercial Legal Services and compliant with Standing Orders on Procurement and Contracts.
- 7.3 Equality duty and human rights assessment: The new ERP system will improve collection, reporting and monitoring of diversity information, to be held in line with data protection and security requirements. The system will improve remote access, facilitating more flexible working arrangements. As well as potential to improve job satisfaction, this may positively impact those with care-giving responsibilities. The Council will ensure that staff have equal access to the system and that it is designed to consider any issues arising from disability, including reasonable adjustments where necessary, to enable users access to the system.
- 7.4 Climate change: This programme aims to change Council ways of working to reduce travel, reduce use of natural resources (e.g. paper), reduce the impact on the environment (CO2 emissions) and increase productivity. Use of new equipment will help the Council work differently, i.e. print less, work from a wider range of locations and travel less.
- 7.5 Crime and disorder: There are no implications for Crime and Disorder.
- 7.6 Public health: There are no public health implications.
- 7.7 Social value: Increased flexibility will improve productivity, morale, work/life balance and employee wellbeing more generally, which will positively impact on the local economy, as a large percentage of employees are also local residents. A new corporate system will also improve establishment and financial controls, making the Council more efficient and effective in managing providers of local services and informing future commissioning and contract management activity to achieve social value aspirations.

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Appendices None

Background papers None