

Birmingham City Council

Report to Cabinet

14 May 2024



Subject: ORACLE REIMPLEMENTATION

Report of: Fiona Greenway, interim Director of Finance and Oracle SRO

Relevant Cabinet Member: Cllr John Cotton, Leader, and Finance and Resources

Relevant O &S Chair(s): Cllr Jack Deakin, Finance and Resources

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 012404/2024		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential: Appendix C Finance Summary contains commercially sensitive exempt information relating to expenditure / terms about the potential supply of goods/services. Appendix E Risk Register contains information of action taken or to be taken in connection with the prevention of fraud.		

1. Executive Summary

- 1.1. The purpose of this report is to seek endorsement of the approach, costs and timescale and obtain authority to proceed with the strategic reimplementation of the Oracle Fusion Cloud Enterprise Resource Planning (ERP) solution. This intends to fix the problems from the previous failed implementation. The ERP solution encompasses financial, human resource, procurement, and payroll management processes which enable and support the necessary and timely transformation of Birmingham City Council (BCC) business operations.
- 1.2. The challenges surrounding the initial implementation are well documented, resulting from flawed configuration, lack of process redesign, lack of appropriate levels of testing, and insufficient change management when the system was implemented. (**Section 3** refers)
- 1.3. This report reconfirms the pivotal role of the ERP system plays in achieving the Council's vision for a sustainable, fit-for-purpose, modern, technology-enabled public service organisation. It sets out an approach for re-implementation which will address the issues encountered and reduce the delivery risk.
- 1.4. The core requirements of the Council from an ERP system can be summarised by reference to the following 'golden thread' outcomes (**Section 4 and Appendix A** refers):
 - a) The ability to manage money (i.e. pay invoices and process payments accurately);
 - b) The ability to manage people (i.e. onboard, manage, perform payroll runs and offboard resources);
 - c) The ability to comply with necessary legislation, keep data securely including meeting data protection/GDPR requirements; and
 - d) The ability to deliver a suitable user experience which allows users to operate in an efficient and effective way.
- 1.5. As well as supporting the delivery of outcomes for the core back-office services, the Oracle ERP system needs to support the delivery of savings across the organisation as part of the 2024/25 and 2025/26 budget, and delivery of the outcomes contained within the Council's Improvement and Recovery Plan (IRP).
- 1.6. To reduce delivery risk to the Council, the re-implementation will be split into two phases. (**Section 5 and Appendix B** refers)
 - a) A **design and proof of concept phase** to create a working configuration which demonstrates that the solution can address the key pain points encountered in the initial implementation. This phase will be supported by Oracle Consulting, who have offered to complete this work on an exceptional basis, at cost, i.e. zero margin. Providing there are no delays in contracting with Oracle Consulting, we expect this phase to complete by March 2025.

- b) In parallel, the council will undertake a **procurement for an Oracle Delivery partner** to scale deploy and work with the Council to implement the initial solution by March 2026 and run the service for a further 3-5 years. This will be offered to the market through an established public sector framework.
- 1.7. This paper requests funding of £12.72m for the first phase of re-implementation. We will return to cabinet for approval for the second phase. Final costs to completion will not be known until the design is completed as part of the first phase. We recognise the need for confidence that the overall costs will not exceed the estimates held in the 2024/25 and 2025/26 budget, totalling £45m. From previous experience where this approach has been adopted in other organisations, at this stage, we are confident that spend should be within the available budget. (**Section 6 and Appendix C** refers).
- 1.8. This paper requests approval for the ongoing running costs for the Oracle solution of £1.68m in 2024/25 in respect of licences and support. These are 'business as usual' costs rather than re-implementation but have not been included in DTS budgets. This will be funded from the Oracle budget line in 2024/25 (**Section 6 and Appendix C** refers).
- 1.9. This paper requests delegation of authority to approve the additional, compliant procurement arrangements required to secure resources and partners to support the Oracle Fusion re-implementation programme (**Section 18** refers).
- 1.10. Work is ongoing to confirm the 'end to end' cost to date and projected end cost of the solution, considering the initial implementation, manual workarounds, interim fixes and re-implementation. This includes confirming the level of remaining funding from the £86m previously approved by Cabinet, which will be utilised prior to accessing the additional funding estimated in the budget to reduce spend allocated against the 2024/25 and 2025/26 budget (**Section 6 and Appendix C** refers).
- 1.11. This paper re-confirms the £674,000 one off implementation costs and £99,000 running costs for the new Income Management System. These amounts were originally included within Oracle funding approved in the June 2023 cabinet paper, and the expenditure will now be incurred in 2024/25. This will be funded from the Oracle budget agreed for 2024/25 (**Section 7 and Appendix C** refers).
- 1.12. The Oracle product is primarily designed to service the Finance, HR and Procurement needs of an individual organisation. It is not designed to be a platform for hundreds of individual organisations each receiving a wide variety of hosted services. As such, following reviews with Oracle and consultations with other Councils, it is proposed that the Oracle re-implementation prototype does not provide for hosted Finance and HR services for schools. This paper requests that Cabinet delegates to the Strategic Director of Children & Families, in consultation with the Cabinet Lead Member for Children, Young People and Families, powers to work through options for future solutions with schools with a view to all schools migrating to a new solution in time for the school year commencing September 2025 (**Section 8** refers).

- 1.13. This paper requests endorsement of the mitigations to be applied to the existing Oracle environment whilst re-implementation is taking place (**Section 9** refers).
- 1.14. Cabinet is asked to note how lessons learned from the original implementation are being considered for the re-implementation (**Section 10** refers).
- 1.15. Cabinet is asked to note the Governance and structure proposed to manage the ongoing programme (**Section 11 and Appendix D** refers).
- 1.16. Cabinet is asked to endorse the Business Change arrangements recommended to support the re-implementation (**Section 12** refers)
- 1.17. There will be a continuous focus on best practice around the re-implementation of the ERP system, as well as addressing the lessons learned from the initial implementation to ensure a successful outcome.

2. Recommendations

2.1. Cabinet are recommended to:

- a) Authorise the re-implementation of the Oracle system as a 'vanilla' solution, removing customisations and relying on the tried and tested industry standard functionality in successful use by other Councils (**Section 5 and Appendix B** refers);
- b) Endorse a two stage 'Prototype' based approach, where the first design and prototype stage is delivered by March 2025, demonstrating that key issues have been fixed, before the Council commits to the remaining phase of re-implementation by March 2026 (**Section 5 and Appendix B** refers);
- c) Approve the costs for phase 1 – the design and prototype stage – of £12.72m for the re-implementation of Oracle Fusion (**Section 6 and Appendix C** refers);
- d) Approve ongoing running costs for the Oracle solution of £1.68m in 2024/25 in respect of licences and support. These are 'business as usual' costs rather than re-implementation but have not been included in DTS budgets. This will be funded from the Oracle budget line in 2024/25 (**Section 6 and Appendix C** refers);
- e) Delegate authority to approve the additional, compliant procurement arrangements required to secure resources and partners to support the Oracle Fusion reimplementation programme (**Section 18** refers);
- f) Re-confirm expenditure on the new Income Management System of £674,000 one off implementation costs and £99,000 running costs. These amounts were originally included within Oracle funding approved in the June 2023 cabinet paper, and the expenditure will now be incurred in 2024/25. This will be funded from the Oracle budget agreed for 2024/25 (**Section 7 and Appendix C** refers);
- g) Confirm that, for the reasons set out in the report, the Oracle re-implementation will not provide a system solution for schools Finance and HR. Cabinet delegates to the Strategic Director of Children & Families, in consultation with the Cabinet Lead Member for Children, Young People and Families, powers to work through options for future solutions with schools with a view to all schools migrating to a new solution in time for the school year commencing September 2025 (**Section 8** refers);
- h) Endorse the mitigations to the existing Oracle environment whilst re-implementation is taking place (**Section 9** refers).
- i) Note the application of lessons learned from the original implementation (**Section 10** refers).
- j) Note the Governance and structure proposed to manage the ongoing programme (**Section 11 and Appendix D** refers).
- k) Endorse the Business Change arrangements recommended to support the re-implementation (**Section 12** refers)

3. Background

- 3.1. The problems with the original implementation are well documented, with a high-level summary included below.
- 3.2. In June 2023, a report was approved by Cabinet which set out the challenges being encountered in the day-to-day operations of Finance, HR and Procurement as well as the impact on other business operations as a result of flawed configuration, lack of process redesign, lack of appropriate levels of testing, and insufficient change management when the Oracle Fusion Cloud ERP solution was implemented. The key challenges being faced at the time were the lack of the Council's ability to formally 'close' its accounts for the year 2022/23; an impact on the provision of finance and HR services to schools; and a number of People Services issues related to recruitment, data management and monitoring processes.
- 3.3. Key issues identified with the Finance, HR and Procurement solution included:
 - a) The link between people/organisation structures and financial structure is broken.
 - b) Significant control weaknesses (segregation of duties, privileged roles, data security, risk of fraud).
 - c) Financial transactions being mis posted.
 - d) Lack of Oracle skills and capability.
 - e) Financial and HR Reporting not meeting minimum requirements.
 - f) Oracle processes have not been effectively implemented and adopted.
 - g) Self Service and compliance culture not evident.
 - h) Business as usual support capabilities not implemented or budgeted for.
 - i) Low maturity in process sponsorship & ownership.
 - j) Poor join up across functional multi-disciplinary teams (Siloed working).
 - k) The solution does not work well for Finance and HR Schools Traded services and adds cost and complexity.
 - l) Ineffective risk/issue identification and management; and
 - m) BCC carries risk beyond appetite around its fiduciary, and legal obligations.

4. High Level Design work completed to date

- 4.1. The core requirements of the Council for the re-implementation of the ERP system can be summarised by reference to the following 'golden thread' outcomes:
 - a) The ability to manage money (i.e. pay invoices and process payments accurately);
 - b) The ability to manage people (i.e. onboard, manage, pay them correctly and offboard);
 - c) The ability to comply with necessary legislation, keep data securely including meeting data protection/GDPR requirements; and
 - d) The ability to deliver a suitable user experience which allows users to operate in an efficient and effective way.
- 4.2. Following the June 2023 Cabinet Report approval, a 12-week High-Level Design phase began to explore the adoption of Oracle Fusion with minimal customisation and aligning Council business processes with the standard best practices. The High-Level Design was led by internal BCC resources, utilising external expertise from Oracle Consulting and seeking additional insight from business units, research and support partners, reference site visits and soft market testing.
- 4.3. As part of the high-level design work, a Cloud Fit Assessment was performed. This involved reviewing current business processes in Finance, People Services, Procurement, and Internal Audit against Oracle's best practice standards. The purpose of this work was to verify that standard 'out of the box' Oracle business processes could meet the Councils' business requirements without resorting to customisation.
- 4.4. The assessment results set out in Appendix A indicate that standard Oracle processes can effectively work for the Council and are already in use at a number of other Councils in the UK including Norfolk and Solihull. However, this will not solely be a technology change for the Council. Achieving the desired organisational outcomes will necessitate significant transformation and culture change across people, processes, technology, governance, and organisation to embrace and adopt the new ways of working.

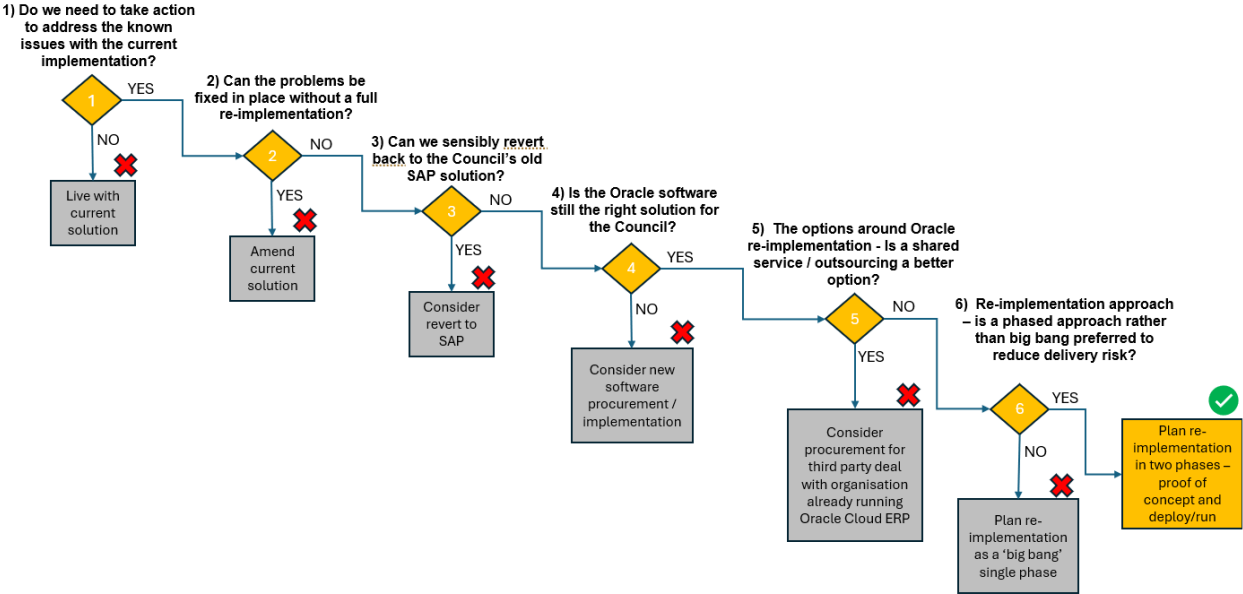
5. Deciding on the best course of action

5.1. In terms of fixing the current problems, further analysis has been performed via a decision tree to determine:

- a) Do we need to take action to address the known issues with the current implementation? This question has been asked many times before and the need to take action has been previously established, but this is included here to give a complete picture.
- b) Can the existing implementation be fixed in place without a full re-implementation?
- c) Can we revert back to our old SAP solution?
- d) Is the Oracle software still the right solution for the Council?
- e) What are the options around re-implementation?
- f) What is the best approach for the Council to follow to deliver a re-implementation whilst reducing delivery risk?

Table 1: Finance, HR and Procurement System Decision Tree

Finance and HR System – Decision Tree



Do we need to take action to address the known issues with the current implementation?

5.2. The answer to this question is already well established and is a strong 'Yes'. It is included for completeness. There remains both a financial and non-financial business case for resolving the problems encountered.

a) Non Financial Issues

- Living with the current solution is not an option from a business perspective. Current issues are preventing delivery of high performing and efficient back office Finance, HR and Procurement services in the Council.
- BCC cannot delivery statutory obligations such as auditable accounts, discharge its duties in providing Value for Money, run the business adequately, support the delivery of savings and adequately manage risks around fraud and security

b) Financial Issues

- The current solution is very costly in terms of the extra resources required for manual workarounds manual fixes.
- Additional costs in finance alone are £3.2m annualised.
- Adding in manual workaround costs for HR and Procurement suggests the additional costs of the solution in its current form are in excess of £5m/year, without considering the delivery of additional savings / transformation savings which depend on a fully functioning Finance, HR and Procurement system.

Can the problems be fixed in place without a full re-implementation?

- 5.3. The results from the Oracle Consulting high level design phase confirmed that the problems are too significant to be corrected in situ.
- 5.4. The high-level design assessment has identified fundamental flaws in the Council's current Oracle Fusion implementation. It has deviated from best practice, contains excessive customisation, suffers from data quality and integrity challenges, features a suboptimal enterprise structure and chart of accounts, and exposes the organisation to security and audit vulnerabilities. Furthermore, attempts to rectify these issues within the existing implementation of Oracle Fusion have been deemed impractical and high-risk, and will restrict future opportunities for improvement.
- 5.5. Experts including Oracle as the software vendor and owner have confirmed re-implementation to a new clean instance is the only way to resolve the issues.

Can we sensibly revert back to the Council's old SAP solution?

- 5.6. No, this option is not feasible. The old solution was previously deemed "end-of-life" and was archived as part of the original Oracle implementation. In addition, the Council's expertise in the bespoke solution has left the organisation. It would be very difficult to run and support such a solution.

Migrating back to SAP would involve a similar amount of effort as re-implementing Oracle or another solution, and it makes no sense to migrate to a legacy solution close to the end of its useful life which the Council previously considered as no longer fit for purpose. It would mean re-implementing SAP and then within a few

years having to perform another migration to upgrade SAP or to another solution, and this makes little sense from a cost, risk or effort perspective.

Is the Oracle software still the right solution for the Council?

- 5.7. An extensive business requirements collation and evaluation exercise took place as part of the original procurement which confirmed that Oracle was a good fit for the Council. This has been re-confirmed recently by the completion of the Cloud Fit Assessment which also verified that the Council's requirements could be met through out of the box Oracle processes. There is therefore no reason for the council to repeat this expensive and time-consuming market exercise or to reconsider its outcome.
- 5.8. Other solutions are available in the marketplace, but implementation of a new solution still involves much of the same work as re-implementation, for example the Council will still need to fix BRS, clean all data, migrate all data and run business change activities with staff. In addition, the Council would need to procure and contract alternative licenses. Whilst these licences could be cheaper than Oracle, the licence cost is only a part of total re-implementation costs. In addition, some activities (migrating data from Oracle to a non-Oracle environment, and training and business change) will become more complex and more expensive migrating to a non-Oracle solution when compared to a transition from Oracle to Oracle.
- 5.9. Despite the problems with the existing solution, staff have spent two years becoming familiar with the Oracle software and user interface and retraining to a new solution would require additional effort and cost.
- 5.10. The Council would also need to run a new solution evaluation and selection exercise which would take several months, further delaying the commencement of any re-implementation. In summary, moving to a different solution does not offer net advantages to the Council at this point and this option is rejected.

What are the options around re-implementation?

- 5.11. The options for re-implementation are:
 - a) In-house re-implementation led by BCC with support from partners, e.g. Oracle Consulting and potentially other specialist Oracle delivery organisations.
 - b) Purchase of ERP as a shared service, a form of outsourcing where another organisation, for example another Council, provides an ERP service for BCC alongside provision of Oracle ERP for their own organisation. For example, the Council could look to an existing provider of local government Oracle cloud solutions to provide ERP as a shared service, e.g. East Midlands Shared Services.

- 5.12. Both options follow a broadly similar delivery lifecycle in terms of :- Analyse requirements -> Design solution -> Build & Test solution -> Implement.
- 5.13. However, the shared service approach brings in the need to negotiate and manage complex service-related contracts with other organisations. Delays around procurement and contracting would likely negate any advantage in speed obtained from having an existing instance. Such an approach would also necessitate organisational and job evaluation and TUPE/redundancy considerations, which tends to extend timescales.
- 5.14. A golden rule in shared services / outsourcing is not to transfer broken systems/processes as this will significantly impact the delivery cost of the service being provided. It is questionable if service providers would feel comfortable adopting BCC data and processes until the core problems have been understood and resolved. The market for Oracle based shared services in local government is not strong, several Councils (London Tri-Borough, Sussex for example) have been recently moving away from shared ERP although some services (e.g. East Midlands Shared Services) continue to run.
- 5.15. In addition, much of the same work around implementation would still need to be addressed in this option, for example the Council will still need to fix BRS, clean all data, migrate all data and run business change activities with staff. Activities around moving to a shared service re-implementation would in practice be quite similar but with the third party service provide doing the configuration / re-implementation work in their instance, for which they would require payment.
- 5.16. Overall we conclude that the shared service / outsourcing approach is not advantageous for the Council given the additional time and complexity required to set it up, that current processes and issues render the service difficult to transition to a shared service, and the overall question whether any existing service in the market would be willing to take it on with its current problems. For these reasons the in house re-implementation of Oracle is recommended over initiating a procurement for a shared service.

What is the best approach for the Council to follow to deliver a re-implementation whilst reducing delivery risk?

- 5.17. The best approach for the council to follow is a two-phase re-implementation of Oracle to reduce delivery risk. This recommended approach is based on best practice, for example the Foreign and Commonwealth Development Office's response to their failing Oracle implementation, which was successful in turning it around into a very successful implementation. This involves two phases which will run in parallel:

- a) The Council will work to 'proof of concept' with Oracle Consulting a working solution to securely manage its People, and Money and address the core solution pain points encountered in the original implementation.
- b) In parallel the council undertake a procurement for an Oracle Delivery partner to scale deploy and run the solution for the council for 3-5 years. The Council only commits to this delivery contract when the proof of concept has been successful, i.e. when it is known that the re-implementation will solve the existing pain points.

Next Steps

- 5.18. The Programme will return to Cabinet at key stages in the Plan (completion of design and build, completion of testing), ahead of award of the Delivery Partner contract and by exception if significant issues arise. This will be set out in advance in the Integrated Assurance and Approvals Plan (IAAP) which sets out the three lines of control for the Programme, inclusive of the Council's governance and committees, to assure delivery.
- 5.19. The proof of concept will enable a focus on the design of the key foundational elements of the current Oracle implementation that prevents the system functioning properly such as chart of accounts, reporting, segregation of duties and security. This can be tested before it is later scaled into production.
- 5.20. This approach enables quality gates to be established to ensure core requirements are being met. The introduction and un-wavering adherence to using quality gates will address some of the key issues of accountability and readiness that were encountered in the previous implementation.
- 5.21. This is an industry standard approach known as 'fail fast'. We don't intend to fail, but what this means is that we want any problems to be identified early on and fixed in the re-implementation, not at the end.
- 5.22. Key design decisions will be documented throughout and approved by the programme board
- 5.23. A design assumption is that the solution will not be designed to support provision of hosted services for schools – in line with section 5 of this report.
- 5.24. Once the proof of concept has been approved, this is then developed further to become the 'gold' build which is then finalised and deployed across the organisation.
- 5.25. Appendix B contains a high-level plan showing the current estimates for the key milestones.
- 5.26. There is a significant amount of work involved in re-implementing Oracle to ensure the solution is correctly built, fully tested and that staff are ready to use it. Therefore, the expected dates for these two milestones are 31st March 2025 (for completing the design/proof of concept work) and 31st March 2026 for the reimplementation and go-live of the new Oracle solution.

6. Costs

- 6.1. The costs for the first phase of re-implementation are summarised below, and cabinet approval is requested. More detailed costings can be found in Exempt Appendix C.
- 6.2. Cabinet is asked to re-confirm the following costs for 2024/25 which have been committed through work commissioned by earlier Cabinet papers

Table 2: Costs to Re-Confirm for 2024/25

Cost Line Item	One off costs	Run Costs for 2024/25
Oracle Cloud ERP licence costs from October 2024 to March 2025 inclusive (pro rata)	-	Up to £1m
Implementation of the Civica Income Management Solution to resolve the Bank Reconciliation System (BRS) customisation issues from the initial Oracle implementation. This was outlined in the December 2023 Cabinet paper and covered by Oracle funding approved by Cabinet in June 2023, but as the contract was signed in March 2024 then this implementation expenditure will now take place in 2024/25 and covered by the 2024/25 budget line.	£674,000	£99,000

- 6.3. Cabinet is asked to approve costs of £12.72m in 2024/25 to fund the 'design and prototype' stage of Oracle re-implementation. Transition to the next stage of re-implementation will depend on the prototype demonstrating that the fundamental flaws in the original implementation have been addressed, accompanied by a further request for funding to cabinet to enable successful implementation and ongoing running of the service.
- 6.4. Cabinet is asked to approve running costs of £1.68m in 2024/25 to continue to support the existing Oracle solution and maintain essential fixes whilst re-implementation is being performed.
- 6.5. These amounts are within rather than additional to the budget line items of £25m in 2024/25 and £20m in 2025/26.

- 6.6. Further detail is set out in Exempt Appendix C.
- 6.7. In addition, Cabinet is asked to delegate authority to approve the additional, compliant procurement arrangements required to secure resources and partners to support the Oracle Fusion reimplementation programme.
- 6.8. It is likely that it will only be following the reimplementation that BCC will realise the benefits of having a solution with fully working functionality, that gives complete confidence in all of the reports and outputs being provided,
- 6.9. The Programme will develop a Benefits Strategy, including a Benefits register, which will undergo regular reviews, with Programme Board updates at appropriate stages in the reimplementation lifecycle. This will be aligned with wider Council initiatives. At this stage it is difficult to confidently quantify likely cashable or non-cashable savings. However, we are confident that, as well as creating efficiencies in Finance, HR and Procurement processes, the implementation will result in a significant reduction in the current level of manual workarounds and bespoke reporting, resulting in lower costs of operation.

7. Income Management - BRS (Bank Reconciliation System) Replacement

- 7.1. Re-implementation of Oracle needs to take into account the replacement of the failed bank reconciliation customisation with a new off the shelf income management system.
- 7.2. The bespoke, custom-built income management and bank reconciliation solution (BRS) that was developed as part of the previous Oracle programme has significantly contributed to the challenges currently faced by the Council in relation to its Oracle implementation.
- 7.3. Oracle, the ERP solution vendor, have acknowledged that the Council would find it beneficial to consider a best of breed solution to interface with Oracle Fusion in the area of income management. This is the aspect of the current system that reconciles data between the Council's banking systems, payment sources and Oracle Fusion. This is a popular approach taken by other Councils who use an income management solution in conjunction with an ERP solution.
- 7.4. As outlined in the December 2023 Oracle Programme Update Cabinet Report, options were considered to address the current BRS issues. Following this work, the CivicaPay solution has been chosen and contracted and the implementation has commenced. This work has been prioritised in the current Oracle environment to speed up delivery of the cost savings and is scheduled to go live no later than 31st March 2025. Following successful implementation into the current instance, the new income management solution will be moved into the new re-implemented Oracle environment so that it is also available from the Oracle re-implementation go live expected by 31st March 2026.

8. Schools

- 8.1. In considering the re-implementation of Oracle, the council has considered Finance and HR services it provides to schools that currently rely upon Oracle. Whilst the council remains very strongly committed to ensuring schools receive the best possible services to support their activities, it has concluded that it should not make provision to continue the current, Oracle-based, arrangements in the re-implementation of the Oracle system. This is because:
- a) The council's financial and operational arrangements concerning the Oracle system are under extreme strain and strategically it needs to review all discretionary activity to simplify the recovery task.
 - b) The view of the expert programme team and the Oracle Commissioner is that the Oracle system is not suited to providing these services to schools in the long run. Post re-implementation, any Oracle-based solution for schools would be comparatively expensive and inefficient and the relevant costs would have to be borne by schools through trading charges, which would not represent good value for money for schools.
 - c) The existing service to schools using the current instance of Oracle is not ideal because of the flaws caused by the previous poor implementation, and the re-implementation will take a minimum of 2 years. Schools are better off migrating to a new solution as soon as possible.
 - d) The majority of other councils have already stopped providing these services to schools for VFM reasons.
 - e) There is a mature external market for these services which provides a good range of offers.
- 8.2. The council has commenced a project to identify the best options for schools to replace council traded services based on Oracle Finance and HR and will work with schools to ensure there is a smooth pathway available to a suitable replacement service.
- 8.3. A separate project has been established to review traded services. As part of this it is considering the risks associated with exiting services from legal, financial and HR perspectives, in order to minimise any potential redundancy exposure.
- 8.4. The project will consult with the staff working in schools Finance and HR traded services on the future of the service and associated employment issues. This will include considering sale or transfer of the business activity and TUPE of staff to the new provider, if supported by the market.

9. Other mitigations to the existing Oracle environment whilst re-implementation is taking place.

9.1. The following activities will help the Council work with the existing environment until the re-implemented environment is ready to go-live.

- a) Regular quarterly assessment, test and deployment of Oracle Updates - product enhancements - which are a compulsory part of the Oracle Fusion Cloud Software.
- b) The new income management system will be implemented in the existing environment first so that the benefits of being able to step down significant manual processing and correction teams can be realised more quickly.
- c) Further rounds of essential fixes - minimised wherever possible - will still be needed until re-implementation to address statutory changes and key business issues.
- d) Early retirement of customisations from current environment where this is practical and feasible in order to prepare the business transition to the re-implemented system.
- e) Continued work on security and controls issues to improve the control environment, reduce the risk of fraud and meet the requirements of internal and external auditors.

10. Applying the lessons learned

10.1. Key activity that started ahead of the June 2023 Cabinet Report was a working level lessons learnt exercise to understand the key failings of the original programme. There is an acknowledgement that the previous ERP implementation aspired to make fundamental changes to business processes as part of a broader vision of leaner and smarter corporate services, but these changes were not realised. To assure the reimplementation plan, and to reduce the risk of these same mistakes being repeated in this programme, the programme team have reviewed the lessons learnt to inform the structure and approach to the attached plan.

10.2. At key stages of re-implementation Assurance provided by “Gated Entry-Exit Criteria” will be required from top level Governance of the Programme

10.3. The key lessons and the proposed mitigations are outlined below:

Table 4: Lessons Learnt

Previous issue / failing	Proposed mitigation
Too often Oracle was customised to support existing, SAP-era process, rather than processes being reviewed and revised to better align with ‘out of the box’ Oracle Fusion processes. Then the customisations failed to perform.	The starting point for the engagement with Services and staff will be the ‘out of the box’ Oracle process and teams will be challenged to modify business processes before the system is modified. We will rely on tried and tested out of the box processes used in thousands of Oracle implementations across the world.
The original Design Authority either wasn’t consulted or was consulted and approved the use of too many system customisations (also known as PaaS extensions).	A new Design Authority has been setup to oversee and approve any decision that deviates from the agreed ‘out of the box’ Oracle approach. Any decision to implement any form of customised (PaaS extension) solution will require formal approval from the Oracle Programme Board, the Commissioner-led Business Transformation Board and Steering Board.
There was a lack of ownership and buy-in from staff within the key Service areas (Finance, People Services, Procurement and Internal Audit).	One of the key pre-requisites identified in the plan is that the right team of staff to represent the 4 service areas needs to be in-place with key roles assigned full-time to the programme before the official programme kick-off date. If the required resources are not in place then Programme Board and the relevant

Previous issue / failing	Proposed mitigation
	Business Sponsors will need to make a risk assessment about whether or not to proceed. If the decision is made to proceed on such a basis then the Business Sponsor for the affected area(s) will own the required mitigating actions
<p>Testing was either insufficient, testing the wrong things or was not conducted correctly.</p> <p>Key assurance checkpoints (e.g. go/no-go decision made on the back of testing outputs) were not effective.</p> <p>Lack of clarity / detail / transparency surrounding solution readiness and programme performance.</p>	<p>A thorough testing strategy and schedule will be developed, in conjunction with colleagues from Oracle Consulting. The testing team will be made up of experience Oracle Fusion testers who will work with Service's staff to develop then run a series of tests, that will test the processes that the Service staff have helped to define.</p> <p>An integrated assurance plan will be produced and there will be key formal 'gateway' checkpoints with defined exit criteria.</p> <p>New governance arrangements in place based on transparency, with both commissioner and independent oversight.</p> <p>An Integrated Assurance and Approval plan will be in place at key decision/quality Gates throughout the life of the project</p>

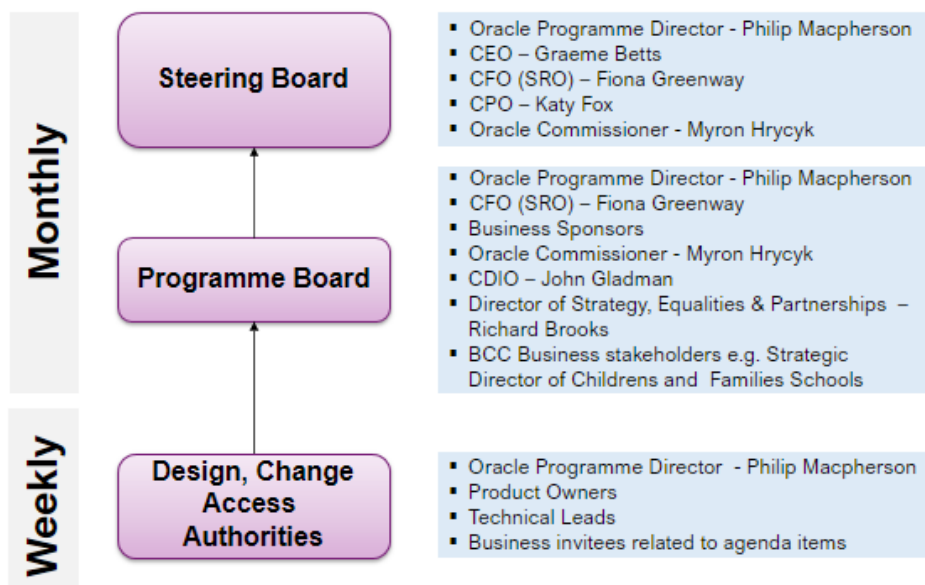
10.4. Building on the above table there are some specific areas that the programme will focus on to address the areas covered above.

11. Governance and structure

11.1. Governance of the programme will be key to success. However, a robust structure alone does not guarantee its effectiveness as experienced by the previous programme. It is imperative that the correct membership, transparency, and a culture of challenge and knowledge sharing are integral components of the new governance framework. Members must be empowered to uphold principles, adhere to guardrails, and implement best practices.

11.2. The combination of a well-designed governance structure and an empowered, knowledgeable, and transparent membership is essential for achieving and maintaining effective governance throughout the programme and beyond. Appendix D shows the high level Governance arrangements that are already in place to oversee this next phase of the programme and these will be further developed during the first phase of re—implementation.

Table 5: Governance Structure



12. Business Change

- 12.1. Priority will be given to organisational change, particularly focusing on managing the human aspect of change. This will involve redefining and in many cases replacing the end-to-end business processes supported by the key corporate services and changing the associated working practices. Clear ownership of these end-to-end processes is required to ensure the smooth, consistent, and accountable execution of business processes. It enhances operations, eliminates departmental siloes, promotes collaboration, and encourage innovation all of which are essential for getting the most value out of Oracle Fusion. It is recognised that business change was not adequately supported during the original implementation. Support from Directors will be instrumental in helping to ensure organisational adoption of new ways of working.
- 12.2. An integral component of the new programme structure are several key roles such as business sponsor and business product owner that must be assigned to individuals within services. These roles are essential for supporting decision-making within the programme and then ensuring these are translated into the redesigned business processes and working practices that align with the standard best practice processes that service teams will be adopting. The presence of these resources will be a primary focus during mobilisation, and their availability will be a key criterion for determining a go/no-go at the start of the implementation stage of the programme.
- 12.3. Another key aspect of the programme and the business change element is the development of the future support model required to maintain the Oracle Fusion and Income Management solutions post-go live. The intention is to define a support strategy that includes developing and training key resources, both within the Council's Digital & Technology Services (DTS) team, but also within the Service areas. This strategic approach aims to strike the right balance between technical expertise and business knowledge by developing and training individuals who can proficiently navigate both domains. As and when necessary the support model will allow for the engagement of specialist SME resources where appropriate.

13. Consultation

- 13.1. The Council has consulted heavily with the relevant Finance, PS, Procurement and DTS service teams and programme staff involved in the original implementation and/or the programme of essential fixes and/or dealing with the issues encountered following the original go live. Several workshops have been run under 'The Way We Work / Talent Foundry' initiative and these findings have been built into the re-implementation approach, plan and costing.
- 13.2. The Council is also working closely with the External Auditor, Audit Committee and with the Finance & Resources Overview & Scrutiny Committee.
- 13.3. The Director for Children and Families has been leading the Council's engagement with schools, including the Schools Forum and the Head Teacher network.
- 13.4. Officers from Finance, People Services, Corporate Procurement and Legal Services have been consulted on the content of this report.
- 13.5. The work has also considered comments from arm's length organisations such as the Birmingham Childrens' Trust (BCT) and the Council's portfolio of suppliers.
- 13.6. The Oracle Member Oversight Board chaired by the Leader of the Council and attended by the Deputy Leader of the Council, the Cabinet Member for Finance and Resources and the Cabinet Member for Digital, Culture, Heritage & Tourism has been briefed on the report. Further briefings are planned with the Chair of the Finance and Resources O&S Committee, the Leader of the Conservative Group, the Leader of the Liberal Democrat Group and the Leader of the Green Party Group.
- 13.7. The lead Commissioner for Oracle has also been consulted regularly during the development of the reimplementation plan and the production of this report.
- 13.8. The Council has also consulted with Oracle Consulting, Gartner, PwC and many other organisations, including those that have implemented ERP solutions, to learn from their experience to support the Council and this programme. KPMG have also been working closely with finance and have helped to inform the work to date.

14. Risk Management

14.1. The Oracle implementation programme continues to maintain a detailed Risk Register to ensure programme risks are mitigated. This is reviewed and updated regularly, with key risks reviewed at the Oracle Programme Board and at the Oracle Member Oversight Board.

14.2. The Council's strategic risk register has also been updated to reflect the Oracle programme. The key risks relating to the plan outlined in this report can be found in Exempt Appendix E.

14.3. The key risk areas identified to-date include:

- a) Access to the right resources with the right skills. If the right resources are not in place, this will slow the delivery plan and additional costs will be incurred. This applies to both business and technical resources at all stages of the re-implementation from design, implementation, go live and long-term support. The programme has increased resources with additional specialists over the past months, but there are some remaining gaps to fill. The Council also needs to re-balance its use of interim and permanent staff to increase the level of permanent staff to focus on building enduring capability to support the Finance, HR and Procurement system in the medium to long term. High levels of reliance on the use of interim resources with one week notice periods increases the risk that the right skills and capability might not be available at the right time, impacting the delivery plan. This risk is being managed through detailed resource planning and reviews.
- b) Co-ordination of multiple activities across the Council, including the re-implementation of Oracle with the implementation of the new Income Management System, at the same time as delivering many other savings initiatives, e.g. the unified approach to debt management. There are many interactions and dependencies, and if these are not carefully managed then delays and/or additional costs on some of the workstreams could be created. This risk is being managed through detailed planning and dependency tracking, including the overlaying of the individual plans for the different projects.
- c) Being able to manage and work around the remaining issues with the Finance, HR and Procurement system until re-implementation can take place. At the current time there are still many mis-postings with manual corrections required on a day-to-day basis caused by the errant Bank Reconciliation System customisation, as well as significant weaknesses and problems around internal financial controls, segregation of duties, reporting and Data Protection / GDPR compliance. Some of these problems cannot be fixed before re-implementation and will continue to be a draw on resources and management attention during this period, which could impact the re-implementation timetable. There is also the risk that new issues or problems are identified during this period. This risk is being mitigated through tracking, prioritisation and reporting.

15. Compliance Issues:

15.1. The recommended decisions are consistent with the Council's Improvement and Recovery Plan (IRP) under the priority and theme of "a well-run Council".

15.2. The recommended decisions are consistent with the Council's Digital Strategy 2022-25:

- a) Theme: Giving our Council teams the right digital tools to do their jobs
- b) Theme: Building the best technology and infrastructure to support Council services.

16. Legal Implications

16.1. The Council is under a duty under Section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council has a duty under Section 135 of the Local Government Act 1972 to make standing orders for the supply of goods and services or the execution of works.

16.2. Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

17. Financial Implications

17.1. Financial implications are set out in Exempt Appendix C included in this report.

18. Procurement Implications

18.1. The following procurement implications have been identified:

- a) The procurement of a Back Office Software design and prototyping partner, via either the Crown Commercial Services Back Office Software Framework (RM 6194) or an alternative compliant framework
- b) The procurement of a deployment and run partner, either through the Crown Commercial Services Software Design and Implementation Services (RM 6193) or an alternative compliant framework

18.2. The following delegations will be required.

- a) Delegation of authority to the Chief Executive Office in consultation with the Oracle SRO and Interim Finance Director and S151 Officer, in consultation with the Cabinet Member for Finance and Resources to utilise up to £2.4m of contingency to ensure the delivery of the Oracle programme to time and quality.
- b) Delegation of authority to the Chief Executive Office in consultation with the Oracle SRO and Interim Finance Director and S151 Officer, in consultation with the Cabinet Member for Finance and Resources, the Assistant Director

Procurement, the City Solicitor, and the Chief Finance Officer to approve any new, compliant procurement arrangements required to secure resources and partners to support the development and delivery of the reimplementation of Oracle Fusion.

- c) Delegation of authority to the Chief Executive Office in consultation with the Oracle SRO and Interim Finance Director and S151 Officer with the Cabinet Member for Finance and Resources, the Assistant Director Procurement or their delegate, and the City Solicitor or their delegate, to approve the selection of successful bidder(s) where a compliant procurement is undertaken, and also delegates approval of any subsequent call offs or work packages including the execution of the necessary contractual documentation to give effect to this outcome.
- d) Authorisation to the City Solicitor to negotiate, execute, complete, and seal all relevant documents necessary to give effect to the above recommended decisions.
- e) Delegation of authority to the Chief Executive Office in consultation with the Oracle SRO and Interim Finance Director and S151 Officer with the Cabinet Member for Finance and Resources, the Assistant Director Procurement or their delegate, and the City Solicitor or their delegate, to approve the selection of successful bidder(s) where a compliant procurement is undertaken, and also delegates approval of any subsequent call offs or work packages including the execution of the necessary contractual documentation to give effect to this outcome.

19. Public Sector Equality Duty

19.1. No adverse impacts were identified. See **Appendices F & G**

20. Appendices

20.1. These are as follows:

- **Appendix A** – Oracle Cloud Fit Assessment
- **Appendix B** – High Level Plan
- **Exempt Appendix C** – Financial Forecast
- **Appendix D** – Programme Governance and Structure
- **Exempt Appendix E** Risk Register – Key Oracle Reimplementation Risks
- **Appendix F** – Equality Act 2010
- **Appendix G** - Equality Impact Assessment

21. Background Documents

- 21.1. Cabinet Report: [Oracle Full Business Case, July 2019](#)
- 21.2. Cabinet Report: [Oracle Revised Business Case, March 2021](#)
- 21.3. Cabinet Report: [Oracle Implementation, June 2023](#)
- 21.4. Cabinet Report: [Oracle Programme Update, December 2023](#)