



Report of the Cabinet Member for Business Transformation and Performance

Cabinet – 19 September 2019

Enterprise Resource Planning (ERP) System Upgrade

Purpose:	To approve the Enterprise Resource Planning (ERP) system upgrade and to commit and authorise this project to the capital programme, due to the system becoming unsupported in November 2020.
Policy Framework:	Digital Strategy and Sustainable Swansea - Fit for the Future
Consultation:	Access to Services, Finance, Legal. All Directorates have been engaged in a four-week due diligence exercise around the upgrade.
Recommendation(s):	It is recommended that: 1) This project and its financial implications are approved and added to the capital programme in order to achieve implementation of the ERP system upgrade by November 2020.
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1. Introduction

1.1 What does the current ERP do?

The Council's ERP system is the lifeblood of the organisation, responsible for most of the fundamental back office processes across every Directorate including:

- All accountancy functions: ledgers, budget monitoring, capital monitoring, cash management, expenses including closing of annual financial accounts and statutory reports for the whole Council
- Paying and raising invoices
- Paying all staff and pensioners and producing payslips
- Holding all HR details and managing HR processes: recruitment, timesheets, absence
- Training for most but not all learning and development
- Pays all suppliers including foster carers and care homes
- Orders food for schools
- Orders all the Council's goods and services from stationery to road materials and housing stocks for stores
- All the major projects within the Place Directorate, e.g. building homes, managing and maintaining schools and maintaining the Council's other public assets
- Linking to several other systems so information and business intelligence are integrated through reports, e.g. social services, housing, schools and care homes data.

The Council's current ERP is Oracle e-business suite version R12.1 and is a fully integrated system.

- 1.2 There are several risks to the Council which are driving the move from Oracle R12.1:
- The system will be completely obsolete by December 2021
 - The system will not be supported from November 2020 and will not receive regular updates and patches as it does now. This increases the risk of cyber-attacks and potential data theft
 - There is a risk payroll may not function, staff and pensioners may not be paid
 - Disaster recovery (DR) is already an issue with the current system, which is flagged as a potential risk every year
 - The Council risks failing its Public Service Network (PSN) accreditation. This means there is a risk the Council could be removed from the network and prevented from sharing data with: Health, Police, Department for Work and Pensions (DWP) and other key bodies. This will seriously impact service delivery including: Health hubs, social services, and Benefits
 - The Council risks losing its Cyber Essentials accreditation
 - The current system does not support new legislation such as Making Tax Digital and new Teachers' Pension legislation.

Given the critical nature of this change, doing nothing is not an option.

2. System Upgrade and FPR7 Report

2.1 Options already explored

2.1.1 Upgrade to R12.2 or Oracle Cloud

The Council has reviewed the option of upgrading to the next version to Oracle R12.2 versus the move to Oracle Cloud. Oracle Cloud is the recommended option for the following reasons:

- R12.2 is significantly more expensive to run, with ongoing revenue costs of £1.459m compared to £985k per year for Oracle Cloud
- R12.2 would require Council servers to be moved to a cloud data centre in order to improve both the Council's DR and to reduce the server room in the new Civic Centre, which adds an additional £400k to the one-off implementation costs. (Please note this is not software as a service (SaaS), just physically moving servers, which digital services would still need to maintain and support)
- The disruption and overall change for R12.2 would be the same as the move to Cloud, but without any of the additional benefits and at a significantly higher revenue and implementation cost
- All previous versions of Oracle will be forced to move to cloud at some point, therefore R12.2 will become obsolete in 2030 and this exercise will need to be done anyway, should the Council choose to stay with Oracle.

2.1.2 Other systems

Infosys, the Council's digital support partner, undertook an independent review of other products in the market. Particularly whether other products deliver a cloud offer, as this is the Council's strategic digital direction. The Council also held a supplier day as well as speaking with other organisations that had recently undergone ERP procurements. The Council is seeking the ERP to deliver at least the same functionality currently listed at point 1.1, be cloud based, not cost more than Oracle Cloud, and deliver transformational benefits. The Infosys evaluation and due diligence work deduced that only Oracle Cloud meets all these requirements.

2.2 Partnership working / shared services

A move to Oracle Cloud will put the Council in an advantageous position compared with other regional partners. Given the regionalisation agenda there would be an opportunity for Swansea to run the back office functions of other public bodies and potentially sell consultancy services given staff knowledge and experience.

2.3 Outputs from the Due Diligence Exercise

2.3.1 Resources required

The move to Oracle Cloud is a large programme involving significant technical and service resources. The due diligence exercise undertook 39 workshops to ascertain the number of process changes required within services and level of resources to support implementation. The temporary resources to implement the project are below. Costs for temporary backfill / honoraria / additional posts to deliver implementation

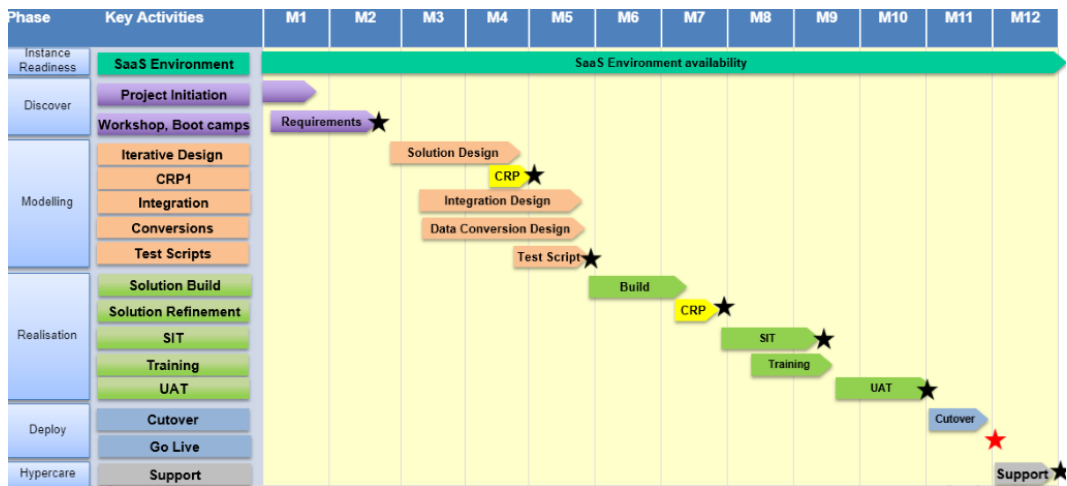
are included in the financials at 5.2.

Recent experience of filling vacancies has shown that recruiting temporary staff in service areas is challenging. Therefore, services have proposed a mix of backfill and honoraria to existing staff, releasing the capacity to work on the programme implementation.

Team	Backfill of posts / honoraria:
Workforce recruitment, analytics and changes	4 posts backfill
Employee Service Desk	0.5 post backfill
HR&OD	2 posts backfill
Payroll	4 posts backfill
Payables and Purchasing	3 posts backfill
Accounts Receivable and Cash Management	3 posts backfill
Finance and Projects	4 posts backfill 14 x honoraria
Digital Services	7 x honoraria
Temporary Project Implementation New Posts:	
Digital Services	Project Officer x 2 Project Manager Change Manager Data Cleanser (Infosys) x 2

2.3.2 Implementation Plan and key milestones

The plan below represents a twelve-month delivery programme (Month M1-12). The yellow Conference Room Pilots (CRP) at month five and month seven act as key milestones, with a dry run of the product to date. Infosys undertake the build phase during month six, which is currently over accounts closure. It is critical the programme keeps to deadline to avoid both, impacting year-end, and the current system going out of support in November 2020. In order to align with year-end, it is proposed the programme implementation begins on 1st November 2019. It is critical the decision to proceed is taken now, in order to allow enough time for procurement and backfill processes before the programme starts.



Oracle Cloud will deliver everything the Council already does whilst significantly improving and transforming processes. However, the look and feel and ways of working will be completely different. Some staff and managers may find this quite challenging so the change and training activities to support the implementation are significant and robust. Asset accounting for Chartered Institute of Public Finance and Accountancy (CIPFA) may require a degree of modification.

2.3.3 Service transformation opportunities

The service transformation opportunities are far reaching however, it is important Cabinet understands the implications of moving to Oracle Cloud. The previous implementation and subsequent upgrade saw significant customisation in order to tailor the system around local processes, no matter how inefficient. There will be little or no customisation with this implementation, as is the nature with all cloud based software solutions. The platform is used by global organisations across all sectors and therefore processes are homogenous. The organisation will be expected to adapt to the system. Staff who attended the due diligence workshops are aware of this and reviewed the product and processes with this end in mind.

That said there are significant opportunities for change and transformation and subsequent efficiency and cashable savings including:

- Fully digital contracts (paperless), particularly useful for the Place Directorate where the most contracts are raised operationally
- Transformed monitoring of fixed assets and capital. This will help both Finance and Directorates monitor fixed assets, which is currently all manual with no resilience
- Resolve integration issues with the new Oracle Field Services project and make integration with other new cloud based systems easier
- The Projects functionality will benefit the Central Transport Unit (CTU) and Building Services with full integration between projects and Capital

- Complete Disaster Recovery, which will completely resolve current resilience and audit compliance issues
- Significantly modernised Payables and Receivables processes with better period-close. This will radically transform and improve year end statutory reporting
- Real-time, faster, self-service reporting dashboards will benefit all services and Performance & Financial Monitoring
- Fully automated invoice processes. Matching purchase orders is currently manual. This will also improve debt recovery
- Reduced manual efforts for data entry. This includes timesheets which are completely manual currently with significant double keying of information. Oracle Cloud will give the ability to batch process large amounts of data which is currently processed on a line by line basis
- Mobile applications will transform the speed and efficiency of approvals, expenses, and of viewing payslips amongst others, all from a mobile phone
- Automated notifications to suppliers will reduce calls chasing progress on invoices for all Directorates but particularly schools and social services
- Current manual workarounds using spreadsheets and access databases would be completed using Oracle Cloud
- Transformed performance management with seamless integration between appraisals, objective setting, monitoring and learning plans
- E-learning – all corporate training for Council staff in one place
- Transformed HR and payroll integration with hundreds of reports to support best practice monitoring and analysis at strategic and operational levels, e.g. gender pay, public sector equality duty
- Best practice sickness absence monitoring in line with new Policy etc, which will help all Directorates. Reports will drill down to staff level and provide analysis to help managers have more meaningful conversations on sickness and other performance related matters
- Service restructures much easier to design with improved information to Heads of Service
- Transformed payroll processes, which are currently mostly manual. This will benefit both Place and Finance
- Statutory changes will be implemented quicker with less disruption and downtime.

2.3.4 Savings and efficiency opportunities

During the due diligence exercise potential savings were calculated based on time saved as a result of process efficiencies, including the following:

Cumulative Non-cashable efficiencies:

Area	Benefit Summary	Improvement / Reduction	Year 1 (£)	Year 2 (£)	Year 3 (£)
Goals and Performance	Productivity-Performance Management	↑	64,800	97,000	129,600
Payroll	Open enrollments/ Life Events	↑	86,400	129,000	172,800
		TOTAL	151,200	226,000	302,400

Cumulative Cashable Savings:

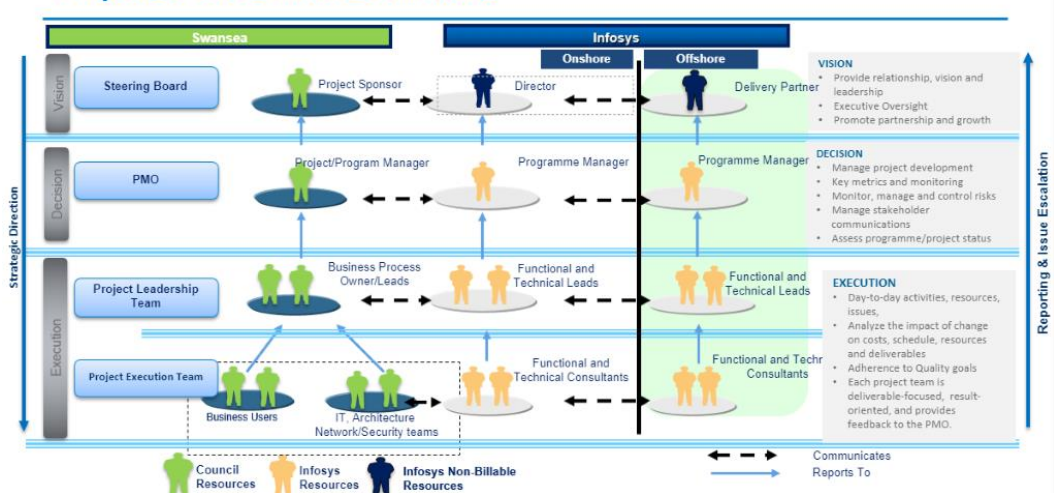
Area	Benefit Summary	Improvement / Reduction	Year 1 (£)	Year 2 (£)	Year 3 (£)
Payables	Productivity in Invoicing	↑	40,500	54,000	67,500
Procurement	Spend on products and services	↓	35,700	51,000	51,000
Expenses	Expense Processing Time	↓	25,900	51,840	103,680
Payroll Admin	Staff Productivity	↑	3,700	5,500	7,400
Audit	Internal Audit Productivity	↑	5,240	10,480	20,960
		TOTALS	111,040	172,820	250,540

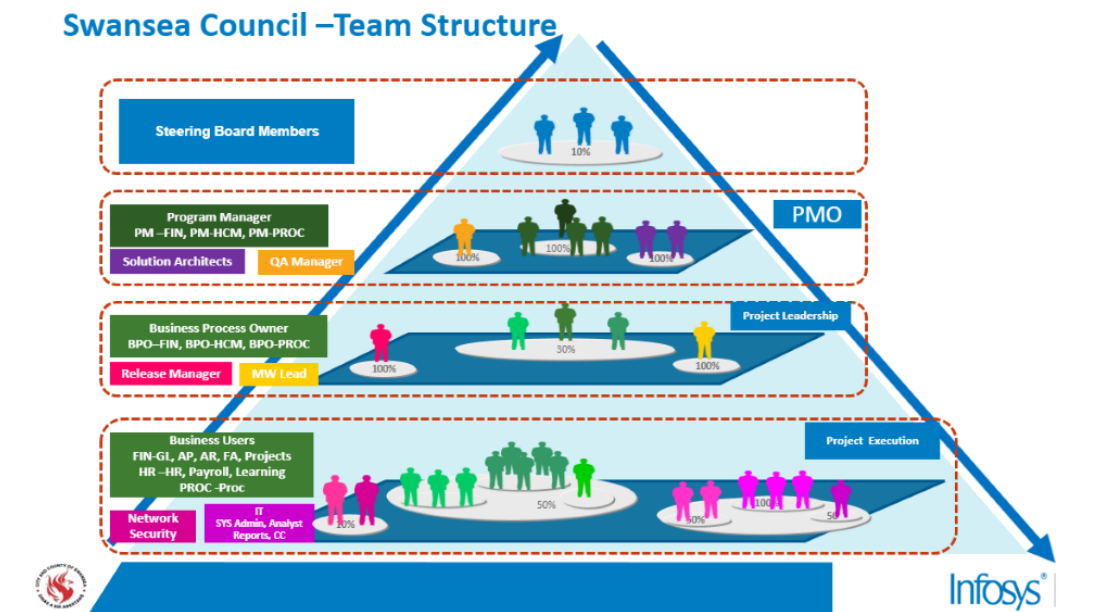
3. General Issues

3.1 Governance

Robust governance is important given the scale and complexity of the programme. The two diagrams below highlight the governance and team structures within the programme. Senior managers from Infosys and members of the Corporate Management Team (CMT) and the lead Cabinet Member will form the Steering Board. The programme sponsor (Chief Transformation Officer) will provide highlight reports to CMT as part of performance management and monitoring.

Proposed Governance Structure





4. Equality and Engagement Implications

4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment (EIA) process ensures that we have paid due regard to the above.

4.2 An EIA Screening Form has been completed with the agreed outcome that a full EIA report was not required as this is wholly a back office system. The screening form is attached at Appendix A. However, significant engagement with internal stakeholders has already been undertaken to this point through a series of 39 workshops. There is training planned within the project as well as two change managers who will walk business users through the use of the new software and help adjust processes in a way that minimises disruption to service delivery.

4.3 The Council has also taken account of Well-being of Future Generations (Wales) Act 2015 implications by: futureproofing the technology in ways which will make it easier to integrate with partners; taking a digital first approach that is sustainable; and more energy efficient via cloud.

5. Financial Implications

5.1 Ongoing revenue implications

When in steady state post implementation Oracle Cloud will cost just under £985k per annum. This is an increase of £330k per year in year 3, which will be met from £251k of the cashable savings identified at point 2.3.4 above and £79k from the Digital Development Fund. As cloud services are priced based on consumption, a re-charging model will also be explored during the programme.

5.2 One-off implementation costs spread over two years

Area of expenditure	Year 1	Year 2
New licences and framework	810,436	810,436
Implementation - training	91,788	
Implementation - development of assets	765,126	
Implementation - transformation and working with services to change processes	1,210,826	
Integration	20,832	20,832
Backfill and resources	1,067,474	
Archive	3,684	3,684
TOTAL	3,970,166	834,952

Areas to note:

- New licences and framework costs are additional in years one and two only as two systems must be paid for in parallel. By year three these form part of the steady state revenue budget
- Integration and archive forms part of the steady state revenue budget by year three.

It is proposed the one-off implementation costs are funded through £1,210,826 as Capital Receipts and the remaining £3,594,292 by accessing the capital equalisation reserve (which is 100% funded from revenue and thus eligible to meet revenue non-capitalisable revenue costs) and in lieu £900,000 will be funded by revenue budget from Digital Services and £2,694,292 will be given up from the existing digital capital budget and be available to underpin the wider capital programme.

If ultimately capital receipts cannot be used then a further sum will be taken from the capital equalisation reserve and capital receipts used to support other future capital expenditure.

The opportunity to re-allocate the digital capital budget is due to a change in the environment and strategy over the past two years. An allocation had been made to provide all staff with a Council device. However, the changes to technology and new ways of working, including licencing costs, has shifted Council thinking in this area.

5.3 The financial summary for this ERP report is attached at appendix B, showing allocation of capital budgets to this project.

6. Legal Implications

6.1 The Council will undertake a mini competition on the Health Trust Europe (HTE) procurement framework, which is fully compliant with EU procurement regulations. The way in which this framework has been procured and established allows the Council to name the product (Oracle Cloud) and has been subject to due diligence.

6.2 The current contract with the support provider, Infosys, is able to be lawfully extended in compliance with the relevant procurement legislation. However, a Voluntary Ex-Ante Transparency notice (VEAT) has been published in order to be completely transparent with the market and no adverse response has been received.

Background Papers: None

Appendices:

Appendix A EIA Screening Form - ERP

Appendix B Financial Summary for allocation of Capital for ERP