Cyngor Abertawe
Swansea Council

Cabinet Office
The Guildhall,
Swansea, SA1 3SN
www.swansea.gov.uk

Councillor Mary Jones	*Please ask for:*	Councillor Clive Lloyd
Chair, Scrutiny Programme Committee	*Direct Line:*	01792 63 7443
	E-Mail:	cllr.clive.lloyd@swansea.gov.uk
Sent by email	*Our Ref:*	CL/JW
	Your Ref:	
	Date:	8 October 2019

Dear Councillor Jones

Pre-decision Scrutiny of Cabinet Report:
Enterprise Resources Planning (ERP) System

Thank you very much for your letter regarding the Enterprise Resource Planning (ERP) System and giving us time on the 9th September agenda.

I have addressed the questions raised individually below

Q1.   Consider its confidence in, and the shelf life of the new system. To what extent is it future-proof, e.g. integration with future AI (artificial intelligence) systems? Will the Council find itself needing to upgrade / move to a different system, at significant expense, in a few years' time?

Oracle Fusion cloud is Oracle's flagship ERP. The cloud platform will replace all on-premise software packages as development is coalesced into a single, constantly maintained and managed platform. This platform would be expected to have a lifespan of at least 10-20 years. This approach to delivering services has only been in the market for approximately 5 years. Oracle cloud already uses Artificial Intelligence (machine learning) to improve processes within the system and will support emerging technology.

Q2.   Fully understand the financial implications and revenue costs associated with the upgrade, which were unclear during the Committee discussion. There is no indication of what the revenue costs will be after 2021. We would expect that there will be an ongoing commitment for many years after that date and there should be some indication of this in the financial implications. Committee members also felt the one-off costs outlined in the report were confusing and could be clearer. There was some concern at the proposed use of the capital equalisation reserve. Members were under the impression that this reserve was allocated to cover the cost of the arena. What are the revenue implications for the Council if Cabinet is using this reserve for this ICT project instead?

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The ongoing revenue cost for the system is £985k per annum as per the report. The Council already pays just under £655k for the existing version, which will be reallocated to funding the new cloud version. The council would enter into a five-year arrangement with Oracle providing consistent and predictable revenue costs over the term. The Council will constantly review the consumption of the platform to ensure the correct level of licensing is contracted. Ahead of the end of the next contract, there would be negotiations for future year steady costs.

The capital equalisation reserve was set up to equalise any capital expenditure. Whilst predominantly set up to provide cover for some of the city centre costs the S151 Officer has confirmed the sum is available, aided by the decision of Cabinet to recommend to Council adding a further £2.6m to the reserve, which will be reported to Council by the S151 Officer in his annual review of reserves in October. Equally the associated report on Agile and Mobile ICT equipment indicated a substantial sum of capital would be given up to enable overall capital spending to be maintained in line with that planned in the MTFP. As the MTFP makes clear however, the overall capital programme affordability itself remains heavily contingent on future revenue savings to afford the capital financing.

Q3.   Satisfy itself about the projected / potential benefits (non-cashable and cashable) of the new system. Are they realistic? Councillors, like myself, can remember previous decisions to implement / upgrade the Oracle System and were understandably cautious about the benefits outlined in the report as there was some concern about the level of benefits / savings delivered by the existing system, which some years ago promised a similar transformation of the Council's operations. We would ask how are these benefits going to be monitored?

Realising and delivering the benefits will be the responsibility of the Board, comprising representatives from senior management across both Swansea and the implementation partner. Key staff will also be responsible and targeted with delivering the benefits. There are two project managers (one from Swansea and one from the implementation partner) and a programme manager who will be responsible for tracking and reporting on benefits realisation. A change manager will be employed to help with the transformation of processes within teams and the adoption of new technology.

Q4.   Ask why a re-charging model, referred to in para. 5.1 of your report, has not already been explored given that cloud services are priced based on consumption. It is unclear what business processes will change and what they will look like following the move to Oracle Cloud and again reinforces the need for Cabinet to be realistic about the transformation opportunities, including the expectation of more sophisticated and streamlined processes. Cabinet should be aware of the budgetary impacts, including risk on the revenue budget, if ambitious savings targets are not realised. It should also consider whether there is going to be a financial impact to specific departments across the Council, e.g. arising from any re-charging model. There should be an idea of what the recharge system would look like with some example of costs per use.

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A recharging model prior to project implementation was not possible due to current processes needing to be re-engineered as part of the project implementation. This will ensure Swansea Council processes fit the industry standard, which will provide the anticipated savings through efficient delivery. The board will be responsible for evaluating and recommending any recharging model. As a general point it has been found that in some cases internal recharging can create an additional administrative burden, therefore analysis is required after benefits have been delivered.

Q5.   Be clear that cashable savings outlined in the report could include a reduction in staffing.

Agreed and this will be monitored by the Board.

Q6.   Be clear that the Oracle Cloud data centre is based in the UK, not overseas, which will improve the Council's resilience / disaster recovery, business continuity, and reduce the physical server footprint within the Civic Centre that will also save energy.

It has been confirmed the Oracle Cloud data centre is UK based. This is especially important with the advent of BREXIT. Having a cloud based solution will provide the council with disaster recovery and business continuity. It will also reduce the current data centre in the Civic Centre and all associated costs including energy.

Q7.   Check that new system requirements will be conducive to the growing number of Council staff working agile, and equally accessible whether working within Council offices or from home.

The new system supports and promotes agile working. Users will have easy access to key functions from mobile devices, as well as the full suite of functionality from their main council device. The new system is accessed over the internet, and requires no other software to be installed, Oracle Fusion is well suited to the agile workforce.

Yours sincerely

COUNCILLOR CLIVE LLOYD
CABINET MEMBER FOR RESILIENCE
& STRATEGIC COLLABORATION

Cyngor **Abertawe**
Swansea Council