To/	*Please ask for:*	Scrutiny
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	Ein Cyf:	
cc: Cabinet Members	*Your Ref*	
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	Date	11 September 2019
	Dyddiad:	

Summary: This is a letter from the Scrutiny Programme Committee to the Cabinet Member for Business Transformation & Performance following the meeting of the Committee on 9 September 2019. It is about a proposed cabinet decision on the Enterprise Resource Planning (ERP) System.

Dear Councillor Lloyd,

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

The Scrutiny Programme Committee met on 9 September to consider the report that you intend to present to Cabinet on 19 September, and give a view on the proposed decision. We thank you and relevant officers for engaging with scrutiny councillors on this matter and inviting a view from the Committee prior to decision-making.

Your report concerns the need to upgrade the Council's existing Oracle system, which is responsible for back office processes across the whole Council, and therefore, in your words, the lifeblood of the organisation. You reported that the system will not be supported from November 2020 and will not receive regular updates and patches as it does now, which increases the risk of cyber-attacks and potential data theft. Furthermore, we noted that the system will be completely obsolete by December 2021. The Committee understood that this clearly presented a risk to the operation of key Council functions, including accounting, procurement, and payroll systems. Clearly doing nothing was not an option.

OVERVIEW & SCRUTINY / TROSOLWG A CHRAFFU

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You explained to the Committee the approach taken to identify suitable options to upgrade the system, and rationale for recommending a move to Oracle Cloud following due diligence, taking into account Council resources, which you told us was both cheaper and more advantageous than upgrading to the next version of Oracle (version R12.2). In your view Oracle Cloud will deliver everything the Council already does whilst significantly improving and transforming processes, and provide better resilience for the Council and support for business continuity. You added that 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.

We noted, however, that the move to Oracle Cloud is a large programme that will involve significant technical and service resources over the implementation period, which your report describes in detail, and outlines some urgency to proceed to allow enough time for procurement and backfill processes before the delivery / implementation programme starts in November. You reported that there would be a training requirement for staff to support the implementation as the look and feel and ways of working will be completely different. We also noted that there would be no scope to tailor the new system to around local processes but rather the organisation expected to adapt to the system. You felt that the customisable nature of the existing system has led to inefficient processes within the Council, involving manual workarounds. Your report shows the opportunities for change and service and subsequent efficiency and cashable savings from moving to Oracle Cloud.

The Committee would raise the following points as a 'critical friend' with Cabinet, which should be taken into account before committing the Council to this project.

Cabinet should:

- 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?
- 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?

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

We intend to keep a watch on the upgrade and as well as following up with you when we see you next for Q & A Session we will call for a post-implementation report back in due course. e.g. after the first year of operation.

Finally, we welcome the early availability of this report to scrutiny ahead of the planned cabinet meeting and hope cabinet can facilitate similar opportunity of early engagement for future pre-decision scrutiny activity to give us more time to consider reports and allow our input to be more meaningful.

I will attend the Cabinet meeting on 19 September, assuming inclusion of your report in that agenda, to feedback the Committee's views as contained in this letter.

Your Response

We hope that you find the contents of this letter useful and would ask you to write back by 2 October to confirm the decision of Cabinet and response to the points and questions raised.

Yours sincerely,

COUNCILLOR MARY JONES
Chair, Scrutiny Programme Committee
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