



## Joint Report of the Cabinet Members for Economy, Finance and Strategy and for Service Transformation

Cabinet – 20 October 2022

### Oracle Project Investment Update

<b>Purpose:</b>	To provide an update on the Oracle Fusion project and to seek approval for additional investment in the project to meet unavoidable costs associated with the pandemic and recovery from it.
<b>Policy Framework:</b>	Digital Strategy, Achieving Better Together, Transformation & Future Council, Financial Procedure Rule 5
<b>Consultation:</b>	Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	It is recommended that Cabinet  1) approves the revised plan and timeline for the implementation of the Oracle project together with further investment as outlined in paragraph 4.1 of this report.
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#### 1. Introduction

- 1.1 In September 2019, Cabinet approved the upgrade of the council's Enterprise Resource Planning (ERP) System<sup>1</sup> Oracle R12.1 to Oracle Fusion Cloud at an estimated cost of £4.8 million because the Oracle R12.1 system was due to become end of life. The initial agreed go-live date for the new system was November 2020 but delivery was delayed by

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<sup>1</sup> The ERP system provides the following council back-office functions: finance, payroll, HR and capital project management

the onset of the pandemic at the end of March 2020 when the council went into business continuity mode. In November 2020 Cabinet agreed a revised go-live date of end of October 2021 and the associated risks of the R12.1 system coming to end were mitigated by Oracle extending its life and their support due to Covid-19.

- 1.2 However, the progress on the project continued to be impacted by the ongoing pandemic and in January 2022 Cabinet agreed a revised go-live date of October 2022. At that point the additional projects costs of £3.6 million were approved by Cabinet in recognition that they were an unavoidable consequence of the council managing the impact of the pandemic and its aftereffects.
- 1.3 Despite the project continuing to make progress, each phase has been delayed by new unforeseen and inescapable work related to the pandemic (e.g., cost of living payments, payments to carers) and staff sickness related to COVID19 and staff vacancies. In particular the rate of progress in respect of the testing phase has far exceeded timescales despite measures being put in place to improve the pace, such as Oracle writing test scripts and undertaking some of the testing. The project plan requires staff to be working concurrently on testing, data migration and cutover planning at this stage in the project but the reality is that staff have only been able to work on one activity at a time.
- 1.4 To support the implementation and help mitigate the impact of the pandemic on the project the council procured support from Infosys (acting as system implementor), Socitm (providing specialist support for key roles, e.g., project manager) and Oracle (providing system advice, guidance, and support to services on key activities such as testing). However, like the council, some of our external partners have experienced COVID related staff absences and turnover which has also impacted the project timeline. A statement from our implementation partner is included below:

*“The Covid 19 pandemic had an impact across the globe that was unprecedented for all industries in all counties causing delays and in some cases shutdowns for organisation, programmes and projects.*

*For the Swansea Oracle upgrade programme, the pause implemented by the council allowed it to focus on critical activity to combat the impact of the pandemic in Wales. However, one impact of the delay was that as the programme restarted the pandemic was in full flight in India.*

*The direct impact on the programme caused by the pandemic included (i) ready availability of team members after the programme resumed (ii) a need to repeat many activities/workshops due to the length of the delay, change of requirements and in some cases personnel. (iii) Documentation*

*sign-off delayed due to long pause meaning additional effort required from both Swansea and Infosys to confirm requirements.”*

- 1.5 While it is disappointing that project progress has been slower than planned, it is important to emphasise that over this period employees delivering the Oracle Fusion upgrade, have prioritised the needs of Swansea residents and businesses, for example by paying out millions of pounds in Welsh Government grants. A submission is being made to the Welsh Government to seek reimbursement of £6.1 million of project costs from the January report and current proposed investment contained in this report. These costs were inescapably incurred as a result of delays caused by the need to divert employees away from the project to work on pandemic related activities.
- 1.6 The delays to the project have enabled learning from the pandemic to be factored into the project, resulting in more reports being required, particularly for HR, payroll, and Finance. These reports will enhance the automation of processes for those teams.
- 1.7 During the project new areas of activity and investment that were unforeseen and /or unavoidable have also emerged including:
  - The need for two additional testing environments, one for the learning module and one for testing the new reports to facilitate more testing in parallel
  - The need to recruit agency staff in support services to bring in resources quickly and / or where we are unable to recruit ourselves
  - An increase in Oracle licences during the lifetime of project which will require a review prior to an Oracle Licencing Audit after the system goes live
  - Unavoidable change requests from services which arise during project implementation, (e.g., from staff restructures or legislation changes) and which attract an additional charge.
- 1.8 Against that background and even with contingency time built into the project the planned go-live date of the end of October 2022 is not achievable and a further extension is required.

## **2. Context and Way Forward**

- 2.1 There are several critical activities that still need to be undertaken before the new system can go-live including completion of system testing, parallel payroll runs, data migration, cutover planning, and implementation, building and testing reports, ensuring business readiness, and a dress rehearsal.

- 2.2 Officers have assessed the additional time needed to complete these tasks taking account of:
- staff availability (including the prospect of further sickness, statutory holidays, and vacancies)
  - non-project business critical activities (e.g., pay award implementation and mission critical recruitment)
  - partner organisations resource availability
  - the need for a go-live date before June 2023 when support for the existing R12 system will finally end
  - Essential year end legislative patching for the existing and new systems.
- 2.3 The project has been made the top priority for the Service Centre and the Finance Team and plans are in place to manage other business critical activities such as recruitment, debtors and creditors, procurement and payroll including, if required, the use of agency staff to manage specific pinch points, such as implementing the pay award and year-end or further unforeseen pandemic recovery activities.
- 2.4 A revised go live date of 1 April 2023 is deemed achievable and is supported by the three suppliers, as long as the necessary staff resource is committed to meet the project milestones set out in the re-plan at Appendix A and there are no major changes in scope to the project or wider Council initiatives. There is a small amount of time contingency built into the replan to allow for Christmas / New Year holidays but there can be no slippage on deadlines during the remaining phase.
- 2.5 While there is a high degree of confidence in the revised go live date this timeline cannot be 100% guaranteed due factors that are outside the project team's control. Specifically, the timing of the teachers' and local government pay award implementation (and any potential related industrial action), will add to the complexity of project and the resources required to complete individual tasks. The nearer the implementation date is to the end of the financial year the higher the risk to the go live date.
- 2.6 In the meantime, the project will continue to be overseen by a Project Executive Steering Board which will meet regularly to monitor progress and the achievement of expected and emerging benefits from upgrading to Oracle Fusion. The Head of HR & Service Centre and the Deputy S151 Officer will join the Steering Board and weekly progress reports will be circulated to Board members. Corporate Management Team will be alerted to any slippage and appropriate mitigation plans. These arrangements are designed to bring greater visibility and oversight to the project to support the achievement of the 1 April 2023 go live date.

### **3. Integrated Assessment Implications**

- 3.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 3.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental, and cultural well-being of Wales by acting in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 3.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 3.4 An IIA Screening Form has been completed (Appendix B) with the agreed outcome that a full IIA report was not required: The summary of impacts has been categorised as low. Whilst this is core business system for the Council it is an internal system and the impact on specific groups is low.
- 3.5 With regard to involvement this is all internal to the Council. Key internal users are involved in the project, stakeholders have been identified and a change team is working on the communication, engagement, training and development as part of roll out prior to go live.
- 3.6 The report adheres to the transformation and future council development well-being objective in the Corporate Plan - so that we and the services that we provide are sustainable and fit for the future.
- 3.7 The risks surrounding the project are considered medium due to the size and complexity of the implementation. This is a core internal IT system,

risks are managed and mitigated on a daily basis and escalated to the Executive Steering Board and senior leadership where appropriate.

3.8 With regard to the cumulative impact of the project, there will be changes to processes and ways of working as a result of the implementation. However, these changes are internal and would be considered as overall improvements.

3.9 Well-being and future generations and the five ways of working considerations include:

- The upgrade of the Council’s ERP system means core processes will more effectively support frontline services in the longer term
- The upgrade changes ways of working and provides a more resilient platform therefore reducing / preventing the risk of downtime
- Oracle is used by other public sector providers, which aids any future integration
- Collaboration is a key driver for project success. Many services across the Council are engaged and involved in the implementation as well as external suppliers and links have been made with other Councils in England that have made this change
- Key users and stakeholders are actively involved in the delivery and implementation of the project.

#### 4. Financial Implications

4.1 Table 1 below identifies £2.8 million additional funding will be required to complete the Oracle Fusion upgrade by 1 April 2023, although there is a project contingency fund of £500,000 which if not used would reduce this to £2.3 million.

**Table 1: Additional Funding Required to Go-Live on 1 April 2023**

Area of Spend	Estimated Costs (£)	Incurred as a result of the Pandemic	New Activity	Notes
Infosys extension of time and resources	200,000	✓		Project incurring additional costs to keep resources on the project
Infosys extension of time and resources	620,000	✓		Additional resources required to be kept on the project from November onwards
Socitm specialist skills and resources	495,000	✓		Specialist technical Oracle Fusion skills

<b>Area of Spend</b>	<b>Estimated Costs (£)</b>	<b>Incurred as a result of the Pandemic</b>	<b>New Activity</b>	<b>Notes</b>
Oracle support and other business support for services	625,000	✓		Specialist technical skills and resources and troubleshooting as issues occur. Direct links into Oracle Corporation
Two additional testing environments	32,000		✓	Additional environments required for testing the learn module and reports
**Swansea resources extension	308,000	✓		Swansea staff in services have been seconded onto the project. This cost is an extension of backfill and honoraria
Possible additional agency costs	300,000	✓		Agency staff may be required to maintain business critical activities
Extension of Oracle Fusion licences	370,770	✓		Dual running of R12 and Fusion during implementation so need to extend Fusion licences
Additional Project Support	85,000	✓		Additional project support to help both the project and services with maintaining parallel activities
Change requests which may emerge out of parallel payroll runs or any further testing	340,000		✓	Budget allocated for possible chargeable change requests that may emerge as part of the parallel payroll runs
Licence costs	300,000		✓	Additional contingency budget to offset potential additional licensing costs following Oracle audit
Additional reports	354,000		✓	Additional reports to be built to help services to automate processes

Area of Spend	Estimated Costs (£)	Incurring as a result of the Pandemic	New Activity	Notes
<b>Total Additional Expenditure Requirement</b>	<b>4,029,770</b>	<b>3,003,770</b>	<b>1,026,000</b>	
<b>To be financed by:</b>				
Current underspend on project as at 31 July 2022	-897,000			Relates to Oracle licences, the costs of which may increase following an audit by Oracle, hence contingency fund above
Contribution from Oracle licencing revenue budget	-330,000			Base budget includes cover for Oracle Fusion licence costs from November – April 2023 which will contribute to the project extension up to 1 April 2023 only
<b>Total Additional Investment Requirement</b>	<b>2,802,770</b>			
<b>Project Contingency Fund</b>	<b>500,000</b>	<b>N/A</b>	<b>N/A</b>	Contingency Fund established during the project remains in place

**\*\* Pending pay award**

4.2 There are costs identified in this report and the 20<sup>th</sup> January 2022 Cabinet investment report that are attributable to the pandemic. Specifically, £6.1 million of the total project cost is associated with the unavoidable delays that have been experienced as a direct result of the COVID19 pandemic and the council's need to manage its impact on employees, individuals, businesses and communities across the city and county of Swansea. A case is being made to the Welsh Government to meet these costs.

4.3 In the meantime, the additional £2.8 million required will be met using £302,770 from a forecast underspend on the 2022-23 Digital Services revenue budget for devices and £2.5 million from the Council's earmarked ICT reserve.

## **5. Legal Implications**

5.1 In line with Financial Procedure Rule 5 (Appendix C), this report recommends further investment in the Oracle project.



5.2 The various contracts providing the supplies and services required to deliver this project have been the subject of a range of procurement processes governed by the Public Contracts Regulation 2015. This will ensure the project is not delayed further and maintains continuity of existing resources.

**Background Papers:** None

**Appendices:**

Appendix A	Revised Project Plan
Appendix B	IIA Screening Form
Appendix C	FPR5