Meeting of:	**Cabinet**
Date of Meeting:	**Thursday, 29 September 2022**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Oracle Upgrade Update
Purpose of Report:	To provide an update on the Go Live date for the implementation of Oracle Fusion including the cost of the implementation
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Director of Corporate Resources
Elected Member and Officer Consultation:	Chair of Corporate Performance and Resources Scrutiny Committee Chief Executive and Senior Leader Team Head of HR S151 Officer
Policy Framework:	This is a matter for Executive decision by Cabinet

Executive Summary:

- This report provides Cabinet with an update on the progress to implement the upgraded core line of business system, Oracle Fusion, which supports the Council's essential Financial, Payroll and HR processes. The implementation of Oracle Fusion has been rescheduled to November 2022, twelve months later than originally planned. This report outlines the approach to managing this project in order to secure a successful transfer to the new system and the leveraging of associated benefits.

- The cost of the Go Live has been reassessed and it is anticipated the final cost will amount to £3.858M. There was an Emergency Powers report in April which had highlighted some of the additional cost but at that time the Go Live was expected to be August 2022.

- There are four key drivers to the additional cost of £2.358M:

i. Additional input from the Implementation Partner Evosys, £0.363M.

ii. There has been insufficient internal capacity and expertise to support the implementation and a reliance on scarce external resource, £1.409M

iii. The delay has meant that there has been additional ongoing support for the existing Oracle EBS R12 system, £0.348M

iv. There has been some extension of the original scope to include additional testing environments, external training and archiving, £0.224M

- The additional cost will be funded from the ICT Reserve £1.223M and the Policy Budget £0.460M.

- The ongoing costs of supporting the system are now forecast to be £0.805M, an increase of £0.130M compared to the original forecast due to the need for further external system support for Oracle Fusion. This will come forward as a pressure in the 2023/24 budget.

Recommendations

1. Cabinet is recommended to note the updates outlined in this report, including the benefits to be realised from upgrading to Oracle Fusion, as well as the revised Go Live date of November 2022.

2. Cabinet is recommended to approve the additional costs to be met from:

    i.   ICT Fund £1.223M

    ii. Policy Budget £0.460M

    (Funding for £0.675M of the increase over the Original Forecast was addressed in the April 2022 Emergency Powers report).

3. Cabinet is recommended to note the additional recurrent costs of £125K will be built into the 2023/24 Budget.

4. Cabinet is recommended to approve the appointment of Oracle to deliver the second line support for the Oracle Fusion system.

Reasons for Recommendations

1. To advise Cabinet of the latest position with the project, including the revised project timeline.

2. The implementation is going live later and costing significantly more than originally planned. The report has identified how the project can be funded and seeks Cabinet approval for the use of reserves and the Policy Budget.

3. There are also additional annual running costs to support the system and these have been identified in the report and will need to be built into the 2023/24 Budget.

4. To allow for external support for the system to be in place in accordance with the project timeline and enable a sufficient handover from the project implementer as part of the 'hypercare' arrangements.

1. Background

1.1   The Council's existing Financial, HR and payroll system Oracle e-business suite (EBS) Release12 ceased to be fully supported at the end of 2021 and a project was established to implement the successor cloud based product Oracle Fusion. The current Oracle EBS also provides the Customer Relationship Management System for the Council, but a decision has previously been undertaken to implement an alternative replacement for that part of the organisation, with the introduction of the Granicus FirmStep solution progressing as planned.

1.2   The planned go live for the Oracle Fusion project was an ambitious November 2021 with a budget of £1.5m. The Oracle EBS is an essential core set of systems for the Authority and an unsupported system has been a major risk for the Council to carry. The system is used for paying staff and suppliers, raising invoices and managing debt and its operation is essential in the completion of the Council's statutory accounts. The system has continued to be supported beyond

the end of 2021 whilst the transition to the new version is managed, which is positive, but it cannot be assumed to continue indefinitely.

1.3 The transition to Oracle Fusion enables the organisation to expand the use of the system and benefit from additional functionality. This includes increased usage of self service for all Council staff including reduction in the use of manual forms and increased digitalisation of processes for HR and payroll. The expanded use of iExpenses, including an iExpenses app and improved functionality will enable invoice scanning to be implemented, helping to minimise data entry and double handling of invoices are further benefits. The use of the cloud system enables the organisation to benefit from a variety of reporting packages which will improve the use of insight to inform decision making and reporting. Another key benefit of Cloud approach is that system fixes and updates can be regularly and promptly updated on the system as required.

1.4 The project has faced a number of challenges, the most notable of which has been the COVID-19 pandemic and were it not for the fact that the Oracle EBSR12 was going to be unsupported (presenting a significant risk to the Council as described above), a sensible course of action would have been to pause the implementation. Many of those working internally on the project in Finance and HR were undertaking significant additional tasks, especially the payment of numerous grants to individuals and businesses and also completing numerous returns to Welsh Government. There was also sickness and absence at this time in the teams which further depleted capacity.

1.5 It had quickly become apparent that a November 2021 Go Live was unrealistic and the project was rescheduled for April 2022. In January 2022 a fundamental review of the project was undertaken, project resources were strengthened with a new Council Project Manager and additional resource from the Council's Business Improvement Team. A more detailed project plan and project management arrangements were put in place and a further reappraisal of the Go Live date undertaken, the implementation revised to August 2022.

1.6 The delays in the project have impacted on the cost of the implementation and in April 2022 an Emergency Powers paper was signed off authorising £675K additional costs incurred to the end of the 2021/22 financial year with a full Cabinet report to follow which is presented in this report. There were three key areas of additional cost reported at that time. £348K support and implementation, £227K for extended support from Oracle for the existing system and £100K for archiving which had been an omission from the original business case.

2. Key Issues for Consideration

2.1 This report provides Cabinet with an update on the progress to date in implementing the essential upgrade of the Oracle EBS and the approach being adopted to manage this significant and complex piece of work. Based on the significant challenges and need to balance a series of competing priorities (minimising financial and organisational risk, the impact on colleagues and in

order to realise the benefits of Oracle Fusion), the Steering Committee has recommended the Go Live date be revised to November 2022.

2.2 The key challenges contributing to the extended go-live date are User Acceptance Testing, Data Migration, Reporting and staff capacity.

2.3 User Acceptance Testing (UAT). This was planned to take place across a six week period starting mid March. However, this quickly identified a large volume of defects which took a considerable period of time to resolve. The volume was not normal for an implementation for this type and was in the main due to a lack of groundwork undertaken twelve months ago when resources were otherwise being utilised on key business as usual activity as well as the pandemic response. This groundwork is the Systems Integration Test which is ordinarily undertaken by the Implementation Partner, Evosys but for the Council's implementation the Council agreed in line with the tender proposal for Evosys to assign this responsibility to the Council's staff (with support from Evosys). With capacity in the Finance, HR and IT team being stretched as set out above the SIT had been very light touch.

2.4 There has been a great effort from all concerned to move through the Data Migration phase. Regular sessions were put in place with Oracle, the software provider, and Evosys, to resolve the defects and escalated Service Requests where the resolution needed to be with Oracle. There was also extensive weekend working implemented for the project team across this period.

2.5 Data Migration. The next stage of the project was the further rounds of Data Migration and there were a similar set of circumstances to UAT. Rounds One and Two of Data Migration were undertaken in 2021 and under the guidance of Evosys there was insufficient validation and reconciliation. Consequently, round three and four undertaken over the summer of 2022 have effectively had to be done from the beginning, and as a consequence have taken longer than originally scheduled.

2.6 Reporting. This is not on the critical path at present but has drawn in greater staff time than planned, especially for the Payroll Team. The Member Contributions report (MCR) which in an essential return to the Teachers' Pensions Agency has been a major concern to ensure it is correct. The report had not been reconciling and is therefore not complete and accurate and failing to meet the requirements for reporting to the Teachers Pensions Agency (TPA). The Council has needed to escalate this to Oracle nationally. Good progress is now being made but it has diverted time and attention from other areas of the implementation.

2.7 Staff capacity has continued to be an issue. The underlying capacity of the team was insufficient for such an implementation, in both numbers and expertise and this has been exacerbated by absence and challenges in the recruitment market. It has been necessary to bring in additional external resources, at significant cost, to be able to complete the UAT and Data Migration.

2.8 The project is currently in the Payroll Parallel Run (PPR) stage. This is a two stage process with two parallel runs of the payroll undertaken. Due to the delays to date in earlier elements of the programme, these two stages have needed to be

compressed compared to the original plan and is being undertaken to very tight timelines. There has been a difficult balance to be strike, as for practical reasons a payroll Go Live for December and January is not possible and given the weekly financial cost of the resource on the project a February Go Live would have an impact in the order of £0.5M in addition to the overrun set out below. The system is, of course continuing to be supported beyond the initial end of 2021 notification but this cannot be assumed to continue to be the case and the longer the delay in the go live date, the greater has been the risk to support being in place and on-going impact on the teams involved.

2.9 A number of options have been considered to mitigate payroll risks at Go Live. Firstly, within PPR there have been high matching tolerances to ensure complete accuracy with payroll at Go Live and therefore minimise risk to the Authority in payment variations and to staff who would see no impact on their pay. Secondly, the consultants engaged on the programme have been running the payroll in the new system with the business as usual team running the payroll in the existing system as the approach for the parallel running. For the Go Live period, the consultants will be retained and work very closely with the Council's payroll team to assist in the delivery of the first payroll run in Oracle Fusion for the November payroll. Finally, payroll quality is naturally one of the key sign off criteria for confirming Go Live, and unless there is 100% assurance of the quality, the Go Live would not proceed.

2.10 The total cost of the implementation has risen significantly from the original forecast and the additional £670K in the Emergency Powers paper. The total cost of the implementation is now forecast to be £3.858M. The additional costs are set out in Table One below with an explanation on a line by basis in the following paragraphs.

Table One – Implementation Costs

Area of Spend	Original Forecast	Emergency Power	November Go Live	Variation to Emergency Power	Variation to Original
	£K	£K	£K	£K	£K
Implementation Partners	1,200	1,513	1,563	50	363
Project Management and Support	300	300	1,709	1,409	1,409
Extension to Oracle Support	0	227	348	121	348
Additional Oracle Environments	0	35	76	41	76
External Training	0	0	62	62	62

Archiving	0	100	100	0	100
Total	1,500	2,175	3,858	1,528	2,358

2.11 Implementation Partners. Additional costs were initially incurred with the extension to the August Go Live which were recognised in the April Emergency Powers report. Since that time, it has been possible to control these costs through the additional management brought in earlier in the year and there has only been a further £19K due to a change request for Bank Account functionality.

2.12 Project Management and Support. This has been the greatest driver of the additional cost. The Council has not had the capacity and expertise to meet the sheer workload requirements of the testing and migration work and has had to source this externally. The scarcity and level of expertise of this resource has added meaning significant additional cost to this budget.

2.13 Extension to Oracle Environments. It has been necessary to put additional environments in place to support data migration.

2.14 External Training Support. Training will be predominantly delivered internally but these has been a need to supplement this.

2.15 Archiving. An archive solution was not included in the original business case as identified in the Emergency Powers report.

2.16 The additional £2.358M will need to be funded. It is proposed that there is a further draw down of £1.358M from the ICT Fund taking the total drawdown to £2.641M, £0.540M from additional RSG and £0.460M from the Policy Budget. The total project funding is set out in the table below.

Table 2

Funding Type	Original Forecast	Emergency Power	November Go Live	Variation to Emergency Power	Variation to Original
	£K	£K	£K	£K	£K
ICT Fund	1283	1418	2641	1,223	1,358
General Fund	0	0	0	0	0
WG Digital Grant	217	217	217	0	0
Additional RSG	0	540	540	0	540
Contribution from Policy Budget	0	0	460	460	460
Total	1,500	2,175	3,858	1,683	2,358

2.17 There is also an update to the ongoing costs of running the Oracle Fusion system. This had initially been forecast at £675K per annum which is provided for in the revenue budget. However, there has been a further review of the external system support to run alongside the internal systems team and the total cost of

this is now forecast to be £125K which alongside a minor cost for the licencing of the archiving solution gives a total additional cost of £130K.

2.18 Two external suppliers have tendered for the additional systems support it is proposed to award this to Oracle. Their offerings were presented quite differently and there has been a full assessment undertaken including clarification interviews with both providers. There is a period of 'hyper care' post go live which will be provided by Evosys as part of their contractual commitment for the implementation.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The operation of the Oracle system supports the Authority's core business functions and in turn, the delivery of the Corporate Plan and Annual Delivery Plan.

3.2 The use of digital tools to transform the Council's operations are a key element of the Corporate Plan and Reshaping Programme.

3.3 This project seeks to invest in digital technology to enable long-term transformation and leverage benefits for the organisation. The project requires collaboration with suppliers and across the Council's teams to deliver effectively to achieve organisational benefits. The enhancement in reporting capability will help identify issues and take preventative action to financial reporting issues. The project has involved staff throughout the process. The project demonstrates integration through an understanding of the impacts of decisions on different parts of the Authority, whilst also being mindful of the changes being introduced for suppliers and their ability to respond.

4. Climate Change and Nature Implications

4.1 The implementation of Oracle Fusion will enable previously paper-based processes to be digitised, reducing the reliance on natural resources as a result of increasing self-service provision, for example in the processing of invoices.

4.2 In the broader sense, the use of the system and in particular the Finance modules, will facilitate the financial management of Project Zero, harnessing the reporting capabilities to identify opportunities to decarbonise the Council's activities.

5. Resources and Legal Considerations

Financial

5.1 The key financial considerations are set out in the body of the report. There is an additional £2.303M required to conclude the implementation of the system and it is recommended this i be funded through the ICT reserve and the Council's Policy Budget.

5.2 The use of the ICT Reserve is not planned and will leave the balance at £0 by 2027. There will need to be a review of all of the Council's reserves as part of the 2022/23 budget monitoring in the face of significant inflationary cost pressures and the development of the 2023/24 Budget and 2023/24 to 2027/28 Medium Term Financial Plan.

5.3 There are also additional ongoing system support costs of £0.130M which will need to be built into the budget and this will be done as part of the 2023/24 budget setting process.

5.4 Due to the time constraints required for bringing additional technical resources on the Council side to support the project timeline and safeguard against further contractual increases agency support has been utilised from two organisations SEVamor (total projected cost £973k) and OCNR Associates (total projected cost £509k). The skill set required was of a specialised nature and time sensitive and therefore has been engaged on an ad hoc basis however to reflect the value of the expenditure a Contract Award will be placed on Sell to Wales.

Employment

5.5 The employment implications of the Oracle implementation will be subject to consultation with Unions and the current Oracle support team and will reflect the changes to the level of internal support required to support the Cloud Based system and increased footprint of users across the Council.

Legal (Including Equalities)

5.6 The contract between the Council and Evosys, the Implementation partner ("the provider") to deliver the implementation of the Oracle Fusion provides for a start date of 11th January, 2021 and end date of 31st March, 2022 with the option available to the Council to extend the contract period for 2 periods of up to 12 months each, by giving 90 days' notice.

5.7 The 'contract' comprises a part Call-off contract executed by Evosys; a part Call-Off Contract sealed by the Council; six documents which comprise Schedule 1 (The Services) to the Call-Off Contract; and; Crown Commercial Service G-Cloud 12 Framework Agreement (No RM1557.12).

5.8 The contract term is specified, with delivery of all of the services detailed in the initial Purchase Order for the implementation of Oracle Cloud and Data Extraction for the total contract price which includes a transformation and migration element.

6. Background Papers

None.