

CABINET

22 NOVEMBER 2011

Title: Shared Procurement of Oracle R12 Upgrade	
REPORT OF THE CABINET MEMBERS FOR FINANCE, REVENUES AND BENEFITS AND CUSTOMER SERVICES AND HUMAN RESOURCES	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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<p>Summary:</p> <p>The Council's current Enterprise Resource Planning (ERP) system – which includes human resources and financial information – is a system called 'Oracle R11'. This system is reaching the end of its operational life. From October 2013, Oracle R11 will no longer be supported by the supplier (Oracle) and as a result, the Council's payroll system will not be compliant for taxation and National Insurance purposes. The Council must ensure it has provision for replacing or upgrading the current system in order to perform its core financial and human resources functions in advance of this date.</p> <p>The Council currently has a highly customised version of Oracle R11 that is based on the original implementation requirements for Barking & Dagenham. The system was first implemented in 2001 and has had a number of changes since. These have included many local customisations specific to the Council which are expensive to implement and maintain.</p> <p>Other London Boroughs using Oracle R11 have been working with those that have already upgraded to the new version of the system – 'Oracle R12' (Havering & Croydon). Through support from Capital Ambition (London Councils) and the Society of London Treasurers (SLT) a joint working group has been established to procure a single Oracle R12 system that can then be used as the basis for further shared service opportunities for Finance and Human Resources across the London Boroughs.</p> <p>This provides an opportunity for the Council to replace our current customised Oracle R11 system with a standard Oracle R12 system which would be shared with a number of other boroughs. The main difference between the current system (R11) and a newly implemented Oracle R12 system would be that there would be fewer customisations made. The new system would be designed to be run 'out of the box' and not tailored to any particular authority; making it cheaper for participating authorities to procure,</p>	

implement and maintain. The system would be designed to allow the future option of a shared service.

The options appraisal has established that a shared procurement and shared service option will provide the greatest cashable benefits to the authority, and where savings have already been taken, it will provide stronger business continuity for finance and human resources through working in partnership with other boroughs. Finally, being on a common and shared system will enable future strategic planning of these services to take advantage of the shared service option with the boroughs using the same Oracle R12 system. This will provide more opportunity for future savings, as economies of scale will be possible across boroughs.

The costs of the replacement Oracle system, working as part of a shared procurement with the other London Boroughs, is estimated at £3 million (comprising a £2 million capital cost, and £1 million funded through the Council's invest-to-save fund and existing capital provisions for critical system upgrades). This is considerably less than the estimated costs of the Council doing this as alone. Boroughs who have already upgraded to Oracle R12 have spent between £4-5 million on reimplementing. The cost of simply upgrading our existing system is estimated at £1 million but this is not recommended as the best strategic option for the Council as it prevents future savings from being delivered.

The financial benefits of implementing the new Oracle R12 system through a shared service are estimated at £580,000 - £800,000 of cashable revenue savings per year.

Schools currently use Oracle, but the system does not meet all of their requirements. This proposed change to the Council's system provides an opportunity to review the best future options for schools, and this work will form part of the project. Schools have been asking the Council to review the current Oracle service provided and would be supportive of this approach.

The London Borough of Lambeth is leading on the Oracle R12 shared procurement exercise with the boroughs of Brent, Croydon, Havering and Lewisham. The aim is to secure the services of an Oracle implementation partner and a managed service provider(s) for the hosting, support and maintenance of the system.

Recommendation(s)

The Cabinet is asked to:

- 1) Approve the proposals set out in Section 2 of the report, namely to enter into an arrangement with the named London Boroughs for the joint procurement of a Framework Agreement for the provision of a shared and standardised Oracle system replacing the Council's existing customised system;
- 2) Confirm whether it wishes to be further informed or consulted on the progress of the procurement and the award of the contract, or is content for the commissioning Chief Officer, the Corporate Director of Finance and Resources, to award the contract; and
- 3) Approve the allocation of £3 million of funds (£2m from the Council's capital reserve and £1m from invest-to-save revenue fund) to replace the existing system with a re-implemented shared service made available through the joint procurement process.

Reason(s)

To assist the Council to achieve its policy objective of a "well run organisation".

1. Introduction and Background

- 1.1 Members are asked to approve the recommended approach to re-implement the current Oracle system to a standard system in conjunction with 5 other London Boroughs.
- 1.2 This paper updates members on the upgrade of Oracle enterprise resource planning (ERP) system that provides the Council's HR and Finance systems.
- 1.3 The Council must plan to upgrade, re-implement or replace its current version of Oracle as it will become "out of support" with the supplier by Dec 2013.
- 1.4 A number of other borough's using the Oracle system are facing the same issues and an opportunity for a shared solution has been explored through "Programme Athena". This is London's ICT convergence programme which is supported through Capital Ambition and is aimed at converging borough's ICT systems to obtain standardised business processes, which in turn will support significant ICT savings across the capital.
- 1.5 A shared procurement process for a framework contract for Oracle services is now in progress and being lead by London Borough of Lambeth under the 'Programme Athena' banner. Barking and Dagenham have an opportunity to be included as a first phase (wave 1) partner. The other boroughs in the first phase are: Lambeth, Lewisham, Croydon, Havering and Brent. The majority of the other London boroughs and Kent County Council, that all use the Oracle R11 or R12 ERP system, have requested to be named in the procurement to take advantage of the framework contract for future phases of Oracle implementations.
- 1.6 The key advantages of this approach are sharing costs of procurement, costs of implementation, and reduced costs for running the system (as it will be a single instance of the Oracle R12 application, hosted in one place). The savings will accrue through economies of scale, through reducing operating costs and build capacity as the system will be hosted by an expert ICT provider organisation that meets government and industry best practice processes for administering business critical systems. The shared Oracle system will run at a lower cost as for example, it will only need to be patched and upgraded once for all boroughs in the contract, as opposed to each borough having to do it individually as at present. These patches and upgrades for each borough's system, would normally require specialist ICT staff to be deployed, trained and retained by each borough.
- 1.7 The approach has the advantage of enabling common approaches to business processes and the opportunity to share human resources and finance services with other boroughs in the future, and to further reduce the operational cost of running those services. These processes for example include: bank reconciliations, providing month-end financial reporting, managing payroll runs, calculating maternity pay etc. At present, each borough does these routine functions differently, preventing sharing of resources across boroughs and requiring each borough's Oracle R11 system to be configured slightly differently.
- 1.8 Therefore, the single system will prevent unnecessary and expensive local customised changes to the Oracle system. It will bring economies of scale to local authority requirements with the chosen system implementation partner.

- 1.9 The Oracle system that Barking and Dagenham has developed has been customised over the years. The key issue being that originally the Oracle system did not quite meet all of the accounting processes required for local government. Therefore Barking and Dagenham, like many other boroughs, customised the system to meet our requirements, including local government financial compliance and governance. Over the last 4-5 years, Oracle has recognised this and has adapted and developed its product so that many of our customisations are no longer necessary.
- 1.10 The Council's "Policy House" framework includes the priority of being "a well run organisation". This requires service managers and group managers to be able to manage budgets and resources directly. The current system is geared towards professional accountants managing the budgets and supporting managers via reports and spreadsheets, or through information provided by finance. Whilst this was best practice 15 to 20 years ago. The self-service model of operational managers taking responsibility for their budgets requires greater autonomy and controls being provided to staff.
- 1.11 Using the Oracle R12 system, this autonomy allows managers to directly see their budgets (both actuals and forecasts) directly within the system, without the need for spreadsheets to be produced outside of the system. System controls and automated accounting practices have enabled this shift, and finance professionals should in the future focus on: compliance with system controls, implementing financial policies and setting procedures and controls, and supporting managers in strategic financial planning. The system should seamlessly allow managers to see the staff charged to their budgets and to 'drill-down' from actual spend data to detailed staffing and supplies and services charges information. Thereby enabling a direct link between staff performance and services supplied, to costs and service objectives and to outcomes.
- 1.12 In addition, the Oracle system was originally implemented without adequately linking up human resources and finance records. This means that currently Oracle is effectively run as two independent systems in Barking & Dagenham. This was due to the HR system being introduced in a separate implementation from the financial application. One of the key differences was that Oracle for HR was set-up for manager's and staff to manage things themselves through employee self-service. That principle was not originally applied to finance and procurement. The Council is currently implementing self-service functionality to procurement, which enables manages to order supplies and services without specialist, complicated processes.
- 1.13 Staff have provided considerable feedback on the current Oracle system and issues include:
 - a) Lack of autonomy – financial spreadsheets (sent via email) are used to provide management information and this is cumbersome, slow and often out of date. Services consider the current system to lack in a joined up approach between departments, with Oracle currently being finance-led. Budget owners need greater joint working with finance so that the Council and service budgets are aligned together.
 - b) Inability to access key data from the system directly. Managers cannot currently drill-down from the financial spreadsheets to actual spend data, and rely on finance to produce supplementary spreadsheets.

- c) Lack of join-up – HR and payroll data is not seamlessly linked to finance data, and so reports on staff are often inconsistent or not synchronised
- d) Lack of flexibility to record data real-time – the HR appraisal system can only be updated with objectives twice a year, meaning that managers use spreadsheets outside of the system for day-to-day objective setting; updating Oracle is then seen as an inflexible overhead.
- e) Lack of business focus – the current system does not meet the needs of some business units, and the system needs to be more flexible to different operating models (e.g. schools traded services; support services that are wholly re-charged; and customer-facing services that need to provide regular value for money and cost to service metrics).
- f) Lack of system use – many functions that are present in Oracle are unused either due to lack of system knowledge, use of traditional Barking and Dagenham own finance and HR practices, rather than industry best practice business processes and lack of user friendliness – all of which create barriers to compliance.
- g) Poor quality of data – in some cases the data held is not up to date, or held in an appropriate format to be useful
- h) Cost of change – adding new interfaces (e.g. linking Oracle to SWIFT financials (social care management system) is expensive due to the need to adapt the standard interfaces to the Barking and Dagenham customisations.

2. Proposals

- 2.1 Proposal 1 - To re-implement Oracle R12 finance and HR on a common standardised local government platform. This would use a single Oracle system implementation expert provider, which is experienced in standard Oracle R12 implementations, and with good knowledge of local government CIPFA accounting practices. The Oracle partner would work with a Joint Services board to ensure a single interpretation of business processes, with each borough providing subject matter experts for HR, finance and IT services.
- 2.2 Proposal 2 - To share with named boroughs the running costs of the single Oracle R12 IT system, through it being 'hosted' by a single IT managed service supplier
- 2.3 Proposal 3 - To have a single IT managed service supplier maintaining and supporting the joint service system, to prevent individuals boroughs inadvertently re-customising the system through different interpretations of business requirements.
- 2.4 Proposal 4 - To procure these Oracle services through three separate "lots" a shared pan-London framework contract led by Lambeth Council, sponsored by Capital Ambition, through Programme Athena.
- 2.5 Proposal 5 - To promote the principle of shared services for Finance and HR, based on the Memorandum of Understanding between the named boroughs, and to work towards the principle of a single shared service finance and HR centre.

3. Options Appraisal

- 3.1 A working group comprising HR, Finance, Elevate and Modernisation & Improvement team officers has analysed a number of options (outlined below).
- 3.2 Departments have been consulted on the options and been given the opportunity to comment on the approach and assumptions, as well as to consider how the self-service model for leaner support services will be able to work in practice with the current system limitations.
- 3.3 Doing nothing is considered unviable as the Council would be unable to operate a payroll legally beyond December 2013, so action is required to either replace the system or upgrade it.
- 3.4 Four options were identified for consideration:
- a) **Option 1: Upgrade of current Barking and Dagenham processes – Council only:** an upgrade would be a like-for-like replacement of the current customised Oracle system with no change to current processes in HR and financial management. Whilst this option would provide technical compliance for taxation and National Insurance purposes, it would prevent the Council from being able to deliver the needed improvements to the Oracle system and restrict future savings opportunities.
 - b) **Option 2: Re-implement to standard Oracle processes – Council only procurement:** A re-implementation would move the Council to standard “out of the box” Oracle processes that will require significant change to our current processes but offers scope for savings. However, procuring and implementing Oracle R12 alone would be more expensive than the preferred option as the Council would be unable to share implementation costs with other boroughs and prevent the Council from receiving the required external expertise to implement the new system effectively and maximise future savings opportunities.
 - c) **Option 3: Re-implement to standard Oracle processes – shared procurement.** Reimplementation as part of Programme Athena “One Oracle” group would provide economies of scale in procurement costs, shared working on requirements and would support Barking and Dagenham’s involvement in future sharing of services across London through being an active partner from the beginning. The additional investment required for this option compared to Option 1 will provide the Council with the required external expertise to deliver maximum savings from the Council’s use of the Oracle system.
 - d) **Option 4: Implement a non-Oracle platform** - Implementing a new platform (e.g. SAP – another similar system used in local government) would present technical risks in terms of solving the payroll issues by 2013 and is estimated to cost significantly more.
- (Further details on the risks of each option are presented in the Risk Management section - Section 8 - of this report)
- 3.5 **Preferred Option:** Option 3 is recommended as the Council’s preferred approach as it offers the Council the greatest value for money in the opportunity to share costs of Oracle and delivering savings, resolution of current issues with the Oracle system and further opportunity for shared services. Implementation in a phased

approach reduces complexity and risk with re-implementation activities staged to put a more reasonable load on council resources and early successes to build buy-in and momentum with other boroughs.

- 3.6 All departments have expressed a clear desire for a system that is standardised, less open to customisation and provides the ability to manage their budgets directly, and in their own time. The current dependency of the Finance division producing and then sharing information via spreadsheets and email is not supported by departments. Drilling down to actual spend data and linking back to HR records in the system was a common requirement. All departments recognise that a standard approach will require the Council to adopt the best way of using Oracle, rather than adapting Oracle to traditional approaches.
- 3.7 The six boroughs that are in the first phase have been split into 2 groups known as 'waves':
 - a) Wave 1 – these are boroughs actively shaping the requirements of the shared Oracle R12 system and its implementation by 2012/13. The boroughs are: Lambeth, Lewisham, Havering, Croydon, Brent and (should Members approve) Barking and Dagenham;
 - b) Wave 2 – these are boroughs that will upgrade to Oracle R12 independently and at a later date, move to the shared system. The later route will require additional re-design of business processes and change management for staff, and in the case of Barking & Dagenham will introduce additional risks and costs as two upgrades would then be required. Staying with the Council's customised business processes will limit the shared service opportunities and restrict future cashable savings in finance and human resources.
- 3.8 By joining the procurement in Wave 1 the Council maximises the benefits available and additionally, through being involved in the design of the shared service and system ensures the shared service will best meet Barking and Dagenham's needs. Therefore, this option is considered to provide the most operational savings, and reduce future ICT costs to the Council.
- 3.9 The re-implementation to a shared and standardised system is to be provided through a three stage approach. Each of these stages will involve procurement from three contract 'Lots':
 - a) Lot 1 – the procurement of an Oracle R12 systems implementation partner. The partner will work with the standard Oracle configuration and re-implement the standard processes. Some data will be migrated, but the system will be based on standard Oracle settings. The partner will work with the borough to manage the change from our existing processes and system interfaces to the standard processes.
 - b) Lot 2 – system hosting and support - the system will be 'hosted' or run at a single location – and the services accessed from a secure and 'government trusted' data centre and accessed via 'cloud' or secure internet based connections. The computer servers and databases will be based at the provider's premises, and the resources to manage the servers and network systems will be managed by the provider.

c) Lot 3 – Oracle licensing & application support. The Oracle application system requires Oracle licences and also Oracle support of the application and standard interfaces. This will include providing support for complex Oracle issues.

3.10 Retained Council services - each Council will retain a smaller Oracle functional support service - providing super-user support, and first line support to business users. This support will evolve over time, as business users get used to managing work through the standardised processes, requiring fewer bespoke reports and interfaces become simpler and based on standard Oracle processes. In Barking and Dagenham, the Council’s functional Oracle support is split between finance and the Elevate Oracle team. Whilst the new system will require some changes to the functional support, these cannot be specified in detail at this stage.

3.11 Costs / Benefits

3.12 The full financial implications of the re-implementation will be determined through the procurement exercise. Estimated costs are expected to be circa £3 million for Barking and Dagenham. This is based on a worst case estimate of costs, using evidence from soft market testing conducted by London Borough’s of Lambeth and Lewisham and internal Council analysis.

Option	Processes	Estimated Costs (£000s)	Cashable Benefits	Payback period	Opportunities for Shared Services	Ranking
1. Upgrade Oracle on current processes	As is	1,000 ¹	×	×	×	4
2. Re-implement ERP – single authority	Standard Oracle	3,500 ²	✓✓	✓✓	✓✓	2
3. Re-implement ERP– Joint Procurement	Standard Oracle	2,600 – 3,000 ³	✓✓✓	✓✓✓	✓✓✓	1
4. Implement new ERP solution	Standard Other Platform	Mid Tier platform: 5,000 – 8,000 SAP: 7,000 –8,000 ⁴	✓	✓	✓✓	3

3.13 It is estimated that the shared Oracle option could save the Council between £580,000 and £800,000 per annum; this would payback costs within 5-7 years of implementation.

3.14 This estimate has taken into account a number of assumptions to ensure robustness: e.g. reduction in support services, policy and performance already taken as savings are not double counted. The Council has already made savings

¹ Based upon soft market testing by Elevate Partnership (2011); supplier estimates.

² Based upon assumption of increased cost of business change on option 3 due no sharing of costs

³ Based on Lambeth and Lewisham soft market testing with different suppliers.

based on centralising the finance functions to a single location, and these are also not double counted. The savings are based on a service analysis of the roles performed within finance and HR that duplicate the core functionality within the Oracle application and therefore, can be automated and rationalised.

4. Consultation

- 4.1.1 There has been extensive consultation with the Cabinet Members for Finance, Revenues and Benefits and Customer Services and Human Resources.
- 4.1.2 Each department has been consulted through the Modernisation & Improvement working group, and through departmental management team representatives. Group Managers of Policy & Performance have all been briefed, and the approach addresses most of their concerns with the current system.
- 4.1.3 A joint team has been set-up to contribute to the pan-London specifications, the procurement approach; this has included key staff from finance, human resources and ICT. This team was required to ensure that LBBDD did not fall behind in the specification setting for the procurement. The team will stand down if the project is not approved by Cabinet.

5. Financial Implications

Implications completed by Jonathan Bunt, Divisional Director, Finance

- 5.1 The project is a mix of capital and revenue costs and will be funded through a combination of capital and revenue funding. It may be also that Capital Ambition will provide further funding to help individual boroughs.
- 5.2 It is anticipated that approximately £2 million will meet the definition of capital expenditure. The £2 million capital will be funded internally using existing capital provisions.
- 5.3 At this stage, it is not expected that the £2m will be borrowed from external sources. If the £2 million was borrowed externally, this is likely to add an additional £180,000 to £200,000 per annum, with an estimated capital charge of 9 - 10%. The cost of any borrowing will be found from current budgets within Finance & Resources and would net off against the anticipated staff savings to be made which will form part of the 2013/14 budget proposals.
- 5.4 The balance of the costs, to be treated as revenue, estimated at £1million, will be used from the Council's Invest to Save reserve. The exact split between revenue and capital will be monitored to maximise the resources available to the Council and ensure the scheme is funded in the most cost effective way.
- 5.5 The payback period for the capital element this project is estimated to between 4 to 5 years. It is estimated that savings of at least £500,000 can be delivered following the implementation of Oracle R12, assuming Option 3 is implemented. These savings will principally be found within Finance, HR and ICT. They have been reviewed and are considered deliverable. There is a chance that more savings will accrue from a potential joint finance and HR service however this has not been factored into the costings and would be the subject of a further report to members. If option 1 is selected, the level of savings expected are much lower as there will not

be the same efficiencies from a standard implementation and operation which will require more staff within the Council.

- 5.6 The savings to be delivered following the implementation of Oracle R12 have been calculated on the basis that they will not be subject to the Elevate 'gain share' arrangement. This scheme is not subject to gain share with Elevate because any savings from within Council budgets (such as reductions in posts within Council departments, such as Finance) which arise as a result of this implementation accrue solely to the Council, and are not captured by any gain share mechanism within the contract with Elevate.

6. Legal Implications

Implications completed by Antonia Asielue, Senior Lawyer - Procurement & Contracts

- 6.1. This report is seeking Cabinet's approval of a proposal to enter into a joint arrangement with other London boroughs for the procurement of a shared upgraded Oracle system – Oracle R12.
- 6.2. Under the proposed arrangement, the Council and other London boroughs which use the Oracle system will undertake a joint procurement (to be led by the London Borough of Lambeth) of a framework agreement for the provision of a shared Oracle system and ancillary services.
- 6.3. The report highlights the potential benefits of the proposed collaborative procurement as provision of stronger business continuity for Finance and HR through working across boroughs, uniformity of systems, economies of scale leading to opportunities for future savings.
- 6.4. Under the Public Contracts Regulations local authorities have the power to enter into framework agreements with service providers, following a competitive tendering process. Furthermore, the proposed collaborative procurement is in line with recent government efforts to promote collaborative working among public bodies.
- 6.5. It is proposed that the work to be let under the Framework Agreement will be split into three different categories (lots), thereby allowing suppliers to submit separate offers for the Systems Implementation category (Lot 1), the Systems Hosting and Support category (Lot 2) and the Oracle Licensing and Application Support lot (Lot 3), and that participating boroughs requiring the services to be provided under the respective lots will "call off" the services, as required.
- 6.6. Tendering as lots is permissible under the Public Contracts Regulations 2006 (as amended), and the Regulations allows local authorities to "call off" services from duly established framework agreements insofar as the original terms laid down in the framework agreement are sufficiently precise to allow this.
- 6.7. In accordance with the Council's contract Rules, the procurement strategy to be followed in relation to this procurement is set out in Paragraph 7 below.
- 6.8. This strategy complies with the EU public procurement rules as contained in the Public Contracts Regulations, 2006.
- 6.9. In compliance with the Contract Rules, the report is also requesting Cabinet to confirm whether it would wish to be involved in monitoring progress of the

procurement/ approval of the Council's use of the framework agreement following award of the contract, or whether Cabinet may be content to delegate this to the Corporate Director.

- 6.10. Under Contract Rule 13.3, the Corporate Director in consultation with the Council's Section 151 Officer has the power to monitor procurement of, and approve the use of framework agreement, in the absence of direction to the contrary from Cabinet. In this case, the Corporate Director is also the Section 151 officer.
- 6.11. Lastly, the report is seeking Cabinet's approval to allocate £3M from the capital reserve and the invest-to-save fund to replace the existing system with a re-implemented shared service made available through the joint procurement process. Professional financial advice on this is provided Paragraph 5 – Financial Implications (above).
- 6.12. The Legal Practice confirms that there are no legal reasons preventing Cabinet from approving the recommendations of this report. The Legal practice should however be involved in relation to the contractual aspects of the procurement.

7 Other Implications: Procurement

- 7.1 The procurement is following OJEU rules for an open framework, and is being managed by Lambeth, with Lewisham providing lead legal advice. The Lambeth procurement team is being funded by Capital Ambition, reducing the costs to LBBDD
- 7.2 The procurement evaluation is based on an industry standard Kraljic matrix which will evaluate bids on a ratio of 50:50 for price and quality. For more specialised services, the ratio used is 40:60 price and quality. This is due to the services being procured are standard services and the complexity is around scale, not scope.
- 7.3 The evaluation is being managed as a cross-Council procurement exercise with all six Council acting in partnership. The specification has been led by Lewisham with extensive input from all boroughs including Barking and Dagenham. Learning on savings and cost assumptions has been included from the experience of Havering and Croydon who both upgraded to Oracle R12 last year.
- 7.4 Costings have also been tested against other similar implementations and cost estimates for solo upgrades.
- 7.5 Elevate have explored option 1 in some detail, obtaining market estimates for upgrading, without moving to standardised processes.

8 Risk Management

- 8.1 In addition to an appraisal of the costs and benefits for each option, a risk appraisal has also been undertaken for each option considered.
- 8.2 Option 4 (Implement a non-Oracle platform) was identified as presenting the highest implementation risks to the Council as it would be very complex for business critical systems such as payroll and billing to change platforms. The benefits of this option for an organisation the size of Barking and Dagenham Council do not justify the high costs based on current market estimates.

- 8.3 This assessment is further supported by an independent analysis conducted on behalf of the London Borough of Waltham Forest, funded by Capital Ambition, that concluded that the functionality set of Oracle and SAP (an alternative system used in local government) were broadly similar – albeit that SAP has a very different approach to its system architecture and design.
- 8.4 Option 2 (Re-implement to standard Oracle processes – Council only procurement) was identified as the second highest risk to the Council. This option presents the risk that the original customisations of the R11 Oracle system are re-built, as staff will not be familiar with other ways of working and will try to reduce risk by keeping things unchanged where possible.
- 8.5 Both Option 2 and Option 1 (Upgrade of current LBBB Barking and Dagenham processes) will lock in most of the current problems identified with Oracle R11:
- a) It is likely to support continuation of existing poor practice (compared to HR and Finance best practice) due to the reduced external challenge by other boroughs during the Council's self-implementation. This lack of external challenge may also lead the Council not taking advantage of the full functionality of the Oracle R12 system.
 - b) Whilst solving technical compliance issues, is likely to replicate the existing Oracle R11 system without the improvements needed in Barking and Dagenham. It should be noted that current Oracle R11 system could provide more functionality but cannot do so due to the original system set-up.
 - c) If Barking & Dagenham proceeds on its own with this reimplementation, it may restrict further opportunities to move to shared service platform at later date.
 - d) Limited opportunity for further cost savings as likely to re-create same mistakes of Oracle R11.
- 8.6 The preferred option, Option 3 (Re-implement to standard Oracle processes – shared procurement), was identified as presenting the most acceptable level of risk to the Council. There is risk in ensuring that a shared service approach across multiple boroughs focuses on delivering costs and benefits and not on individual Council's customisation requirements. There are also project and planning risks due to the six boroughs needing to keep to a common timetable.
- 8.7 Compared to Option 2, the preferred option offers lower risk to the Council. Using standard Oracle R12 processes will simplify the interfaces between Oracle and other Council IT systems. Sharing the costs of implementation with other boroughs is more cost-effective than undertaking the reimplementation alone. It also offers greater benefits in terms of delivering future savings through a shared service; thereby achieving a greater return on investment for the Council.
- 8.8 To reduce the implementation risks identified, the proposal includes a dedicated Council project manager and business analyst to ensure that Council business requirements and timescales are met.
- 8.9 The project manager will have experience of large multi-million pound implementations across complex organisations. Influencing, conflict resolution and benefit realisation must be core skill sets, evidenced from recent projects. The business analyst will have experience of implementing Oracle standard processes

in a local government context, and have a proven track record of delivering cashable savings and a finance function that can run at reduced cost in line with the savings estimated in the business case.

- 8.10 The Council's finance team will also be trained appropriately in how to use Oracle R12 to address any identified skills and knowledge gaps. The current team has limited knowledge of the full functionality of a standard Oracle system, due to the Council operating a customised version over the past decade.
- 8.11 Schools currently use the Council's Oracle system and have a number of issues. The move to a standardised local government implementation may increase these issues and increase the risk that the system is not suited to schools. The project will ensure that schools requirements are taken into account and the Finance Division is committed to ensuring schools get the right solution. This may be different from what is right for the Council, and appropriate options will be considered.
- 8.12 The move to traded services for schools also means that the new system will need to take those requirements into account. This will be assessed early on in the project.
- 8.13 Finance, HR and corporate directors need to provide sponsorship and involvement in governance to ensure the core principles under-pinning the business case are adhered to. In some cases this will mean giving up Barking and Dagenham's current processes in favour of processes that are supported by the majority of the London boroughs in the shared procurement. In other cases, Barking and Dagenham will need to ensure leadership and commitment to ensure key processes are meeting business needs.
- 8.14 The procurement process is adopting a quality management approach, which will involve investment of key resources up front to ensure agreement on business design and implementation decisions.

9 Contractual Issues

- 9.1 The memorandum of understanding (MOU) requires the six boroughs to commit in principle to a shared service being established. This will provide an option to each Council to join operationally, conditional on existing contractual arrangements.
- 9.2 The details of the shared service will be established during the procurement and implementation timetable, but the key principle will be to ensure a service that is aimed at delivery to local government. This needs to ensure the most cost effective management structure that gives the best value for money across the services as a whole for the duration of the shared service arrangement, and that manages risk consistently and fairly across all boroughs.
- 9.3 The shared service will be governed in line with each boroughs governance structures to ensure local accountability.
- 9.4 The MOU allows for phasing of joining the shared service arrangement. The MOU take into account where individual boroughs need to proceed with savings prior to the shared service being established that change the contractual nature of the service (e.g a potential HR transfer to Elevate). Therefore, it is understood that

each borough will take which route is appropriate to ensure efficiency savings are taken before joining the shared service to make further economy of scale savings.

10 Staffing Issues

- 10.1 The main functional area affected is the finance service. Savings are not due to be delivered until 2013/14 because of the need for the system to be implemented and supported through go-live, embedding new business processes across the organisation. A significant proportion of the savings will be achieved through a reduction in staff posts.
- 10.2 The other key functional area that will be affected is the Oracle system support team. The new system will require two types of support: functional support for the application based on understanding of local business processes, and technical Oracle application support. The former is currently split between the Council and Elevate and there will need to be changes to this support. Until members take a decision to approve or not approve these recommendations, consultation with staff cannot begin however, both the Council and Elevate are keeping staff informed of progress.
- 10.3 Once the approach from the preferred bidder is known in April 2012, more detailed discussions can start with staff, to enable staff to prepare for the changes in 2013/14. Formal consultation will take place with staff and Trades Unions once the impact of the implementation of the new Oracle version is known.
- 10.4 In addition, some of the support will be potentially delivered through the hosted and support arrangements and the aim will be to maximise the value of the contracts, and keep specialist local staff to those areas that add most value to the Council.
- 10.5 All service and Group Managers will need training in the use of the new system to maximise use and ensure savings. The aim is to replace the current inefficient approach to financial management with a more cost effective streamlined approach, 5% efficiencies have been estimated in the business case for departments based on best practice elsewhere. The training will focus on ensuring managers understand the core principle of the system and know how to use the system supported training materials.

11 Customer Impact

- 11.1 The proposed Oracle reimplementation will deliver significant savings to the Council which will in turn help create an efficient Council that costs less. The outcome will mean more money is available to be spent on services. There are no specific issues for equality groups.

12 Property / Asset Issues

- 12.1 This proposal will reduce the need for some posts. This will reduce office accommodation requirements for affected services in the buildings currently occupied.

Background Papers Used in the Preparation of the Report:

- Outline Business Case for Oracle R12
- Capital Ambition Programme Athena One Oracle business case

- Waltham Forest review of SAP
- QC procurement advice to Lambeth on Oracle licensing
- QC procurement advice to Havering on running a single hosted system, using a standard implementation

List of appendices:

- Memorandum of Understanding (MOU) (**Note: Not appended on this occasion**)