

Report to: Audit Committee

Date of meeting: 24 November 2023

By: Chief Operating Officer

Title: Modernising Back Office Systems (MBOS) Update

Purpose: To update Audit Committee on the MBOS Programme status and delivery approach.

RECOMMENDATIONS: Audit Committee is recommended to:

- 1) Note the current status of the MBOS programme and delivery approach.
 - 2) Note that the Audit Committee MBOS Subgroup reviewed the MBOS programme at its meeting on 21 November 2023.
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1 Background Information

- 1.1. The current SAP Enterprise Resource Planning (ERP) system was implemented in 2004 and will no longer be supported by SAP beyond 2027. The current ERP system supports the Council's back-office processes and transactions. Without a fully supported ERP system the Council would be unable to continue to deliver services.
- 1.2. On 17 June 2021 the Lead Member Resources and Climate Change approved a contract award to Oracle for the provision of ERP software as a service, and to Infosys for technical system implementation.
- 1.3. Over the last 2 years Audit Committee, through the oversight of the MBOS Subgroup, have received regular updates in relation to the progress of the MBOS programme. The MBOS programme has now been moved to red status as it has not been possible to achieve a November 2023 go-live without compromising on quality. This is due to not hitting the necessary targets in Parallel Payroll Running Phase 2.

2. Revised Programme Timeline

- 2.1 The technical critical path for MBOS go-live remains to have payroll functionality and data at a sufficient level of quality to move through the remaining Parallel Payroll Run (PPR) testing and have a completed payroll and pensions capability. This is highly dependent on the technical and functional quality of the payroll system build and its ability to meet remaining match targets as well as the ability to produce key information for statutory purposes.
- 2.2 However, outside of the technical path there are elements of business and operational readiness that need to be completed to ensure a technically sound go-live lands well within the business. The remaining business and operational readiness activities will benefit from greater time to ensure that these are fit for purpose and effectively support the technical delivery.
- 2.3 Following the decision to postpone the go-live, it was agreed to undertake an independent assessment of programme status to determine what activity remains in order to acceptably go-live. This covers a variety of areas such as:
 - Closing defects and UAT/end to end testing
 - Statutory reporting e.g. pensions and tax
 - Technical specification and build
 - Communication and engagement

- Process documentation
- System access and security

- 2.4 The first step in this was an MBOS team focussed workshop to understand the major concerns and considerations which need to be part of the review into the remaining scope of activities to achieve a robust go-live.
- 2.5 As well as an internal consideration of the remainder of activities required, the first phase of an external assessment has now been commissioned and undertaken. The outputs of this phase were discussed by the MBOS Subgroup on 21 November 2023 as part of their review of the MBOS programme and are included in Appendix A. The minutes from the Subgroup meeting are included in Appendix B.
- 2.6 As detailed in Appendix A, the two-week long review confirmed that Oracle is a solution that can meet the business needs of a large local authority like the Council and is used successfully in other councils. It also found that there is a considerable level of tangible delivery to date that can be 'locked in' where just consideration of how to take it forward is required. However, it also found that there are areas of the programme which need addressing before proceeding further in order to ensure that the necessary quality targets can ultimately be met by go-live.
- 2.7 In order to address these, a second phase of review is now required to cover a full technical assessment and detailed identification of the path to go-live. This will include clear activities and resource requirements which provide a credible and trusted plan to implementation and will be undertaken over the coming 10-12 weeks. Further work on establishing the most effective way forward is required and will be undertaken during this remainder of the review.
- 2.8 In addition, we will be looking to establish the best delivery model for the final steps. As the review progresses, there will be ongoing consideration of whether there are elements of the programme which may be closer to completion where activity can continue, recognising that due consideration needs to be given to cross programme interdependencies. There will also be areas where we will look to reduce the ongoing running costs of the programme.
- 2.9 While the review is undertaken the programme will be slowed down and costs further reduced which will enable us to undertake rectification work on the existing SAP system risk profile. There is now therefore a stabilisation plan in place to migrate the current SAP system away from its legacy on-premise infrastructure into a dedicated cloud environment by the end of 2023. The underpinning storage infrastructure currently used by SAP is very old, with increasingly failing components that can only be replaced by reconditioned parts. Re-platforming to a cloud based hosted environment best mitigates that risk expediently and most cost effectively and can be undertaken during the MBOS review period.

3 MBOS Financial Impacts and Summary

- 3.1 The programme costs are reviewed each month and as a result of the go-live decision, steps have been taken to reduce the run rate and this will remain under review during the assessment period as noted above.
- 3.2 The biggest cost driver remains time and resources and this will be a significant consideration in the outputs of the review.

4 Programme Risks and Mitigations

- 4.1. The programme risks are regularly reviewed and in the current reporting period, there are several risks to note.
- Continued confidence in Oracle as the system solution.
There is a risk that the delay to go-live creates a challenge in the wider organisation to the acceptance of Oracle as the solution which impacts take up and willingness to engage with the solution post go-live. This can be mitigated by a continued

communications focus on our drive for quality and not time but also by ensuring commitment to the desired way forward following the independent assessment.

- Ongoing programme delivery whilst the assessment is being undertaken as well as the ability to 'bank' the work already completed.

There is a risk that the MBOS assessment period slows down the activity and loses the ability to continue to make progress. This is being mitigated by focussing the team on those outstanding activities which will be needed whatever the assessment outcomes, such as defects, all of which can be 'banked'.

- Cost in a challenging organisational financial context.

The programme continuing in its current form risks incurring additional cost due to the run-rate of the programme going beyond November 2023. This is being mitigated by reducing the ongoing run-rate of the programme. In reducing the cost of the programme, mitigations against the risks of doing so have been considered, including areas such as information retention, ability to secure resources in the future, ability to complete the review, and the reputation of the programme.

- Overall delivery viability and effective post implementation support

There is a risk that the review activities do not highlight sufficient information to allow progress to a viable delivery and post implementation support model. This is a low risk given the wide range of inputs available. There is a point within the programme lifecycle that allows a decision point on effective support to be reviewed before the move to business as usual (BAU).

- Reputational impact

There is a risk that the delay in go-live is perceived as being a negative reason and impacts East Sussex County Council's (ESCC) external reputation, rather than a positive focus on learning from other implementations and maintaining a quality focus as opposed to go-live driven by time. This can be mitigated to some extent by careful communication though it is exacerbated by other risks noted here, in particular the cost or challenging financial context risk.

- Go-Live Date – Quality and ability to meet statutory requirements e.g. in payroll and pensions

As noted above, in such a large and complex programme, there is always a risk that the programme encounters an issue that puts achieving the date under pressure. Focussing only on delivering to a specific time slot can compromise system quality and performance, which in extreme cases can tarnish perception for years and prevents positive engagement and exploitation of the systems capabilities. The programme is committed to delivering a solution that is credible and fit for purpose and to achieve this it is necessary to prioritise quality above time.

- SAP Hardware

As the MBOS programme continues past the November target go-live date there will be a continuation of the risks to SAP hardware previously reported to CMT. The mitigation of this is noted in the report.

5 Conclusion and recommendations

5.1 Audit Committee is recommended to:

- (i)** note the current status of the MBOS programme and delivery approach.
- (ii)** note that the Audit Committee MBOS Subgroup reviewed the MBOS programme at its meeting on 21 November 2023.

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Chief Operating Officer

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Oracle ERP Implementation Programme

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East Sussex County Council

November 2023

DRAFT FOR DISCUSSION



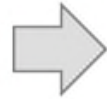
We have provided two indicative views of the programme and both are consistent in their view that the programme needs to be reset.



Officers and other stakeholders have been very forthcoming in our discussions with them, and from our review of the programme artefacts provided, there is a clear rationale across governance, plan, resources and ways of working to refresh and reset programme delivery.

1

“Root Cause Analysis”:
To understand where and how to focus future activity to bring the programme back on track.



Looking forward:

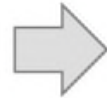
Oracle solution: The platform is one of a number of finance, HR, payroll and procurement solutions which can meet the business needs of a large local authority, and it is used successfully in many councils.

Tangible delivery: There will be many elements of the solution that can continue to be used, but some due diligence and triage will be required to assess this fully, and a co-ordinated release plan developed.

Going live: This will require further detailed planning to assess and sequence the “critical path” over coming months and the Council will need to develop the programme delivery model further.

2

Delivery excellence:
A thematic assessment against the leading practice we would expect to see used on a programme of this scope and scale.



Root Causes: Through 18+ interviews and review of documentation, we have considered a range of issues that have arisen on the programme to date



	Analysis
<p>Symptoms</p> <p>The issues that your teams raise and the specific problems that you observe</p>	<ul style="list-style-type: none"> ● Feedback: “I don’t recognise the business processes” , “This won’t work for us”, “we’re recreating SAP in Oracle” ● Timetable: April and November go live dates have been missed and there is no clear path to green. ● Delivery process not observed: Key stage gateways not followed through, for example exiting test phases without issues resolved; data cleanse and migration well behind programme plan. ● Programme artefacts: No clear, recognised programme plan to get to go live or clearly documented design. ● Solution design and approval: For example, reliance on a single, complex spreadsheet to run schools payroll may present an unacceptable level of risk and technical debt to the Council, and is not consistent with a modern SaaS platform. ● Relationships: Silo working is prevalent in many areas of the programme with business stakeholders feeling “done to” and not “with”.
<p>Ways of working</p> <p>The programme delivery structure, processes, culture and behaviours that lead to the symptoms</p>	<ul style="list-style-type: none"> ● Reporting and programme management: No clear design authority and decision-making supported by clear client-side advice; programme leadership not making decisions with full information; and, key issues not discussed and resolved. ● Leading practice approach: “Adopt not adapt” is not being driven through the programme, leading to customisations of the solution. ● Resourcing: Functional advice has been bought in rather than using expert business process owners through the business. ● Technology implementation: Solution design process is reflecting build rather than business design informing build solution. ● Controls: Controls not visible as to how the programme team and SI are managed from a commercial standpoint.
<p>Root causes</p> <p>Early decisions or context that created the current ways of working</p>	<ul style="list-style-type: none"> ● Programme strategy and vision: Programme set up as a technical implementation rather than taking the opportunity to rethink business processes. ● Resourcing: Council process and service expertise not prioritised into the programme from the outset. ● Delivery model: Key partners not aligned commercially to delivery of hitting programme milestones. ● Business engagement: Clear plan to sequence business engagement early not established.

There are a number of things for the Council to do now in order to optimise the investment being made in both the programme and in Oracle Fusion.

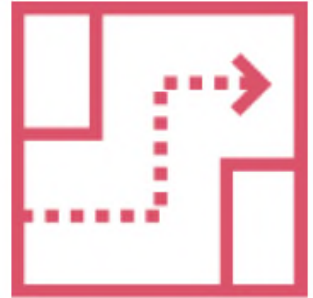


Next Steps

Technical assessment: Focused deep dives into key solution areas to assess completeness; alignment to best practice (“adopt not adapt”) and any remedial actions required.

Detailed identification of the critical path to go live: Based on the technical assessment outputs, a detailed “path to green” plan will need to be developed with clear activities and resource requirements which provide a credible and trusted plan to go live.

Programme delivery model: The programme approach and delivery model will need to be refreshed following a review of organisational readiness. Programme delivery will need to be brought closer to Council officers with clear client side advisory resource in place.



Impact and implication

Programme Budget: The current “burn rate” of the programme is very high. Reprofile requirements and resourcing to focus effort on the technical assessment required and detailed programme planning on a clear, achievable go live date which could include appropriate phasing of the solution release.

Output of technical review: The output of the technical assessment is critical to understanding how much work there is to do and how best to use the work that is already complete. This may take 8-10 weeks to provide a fully informed opinion on the “path to green”. Documentation, completeness/understanding of JIRA and knowledge transfer from the Programme Team would also be required during this timeframe.

Parallel activities: This provides some time to refresh the programme delivery approach and resourcing etc., and because there is no hard deadline to meet to go live (systems out of support etc.) there are options that can be thought through, for example the timing of a phased release. This will also allow resources to be allocated to rectify the known risk with SAP around disk failure.

**AUDIT COMMITTEE
MBOS (MANAGING BACK-OFFICE SUPPORT) SUBGROUP
21 November 2023**

ATTENDEES:

Councillor Colin Swansborough
Councillor Gerard Fox

OFFICERS IN ATTENDANCE:

Ros Parker (RP), Chief Operating Officer
Ian Gutsell (IG), Chief Finance Officer
Sophie Webb, Interim Senior Governance and Democracy Officer

APOLOGIES:

Councillor Matthew Beaver

1. VERBAL UPDATE from Chief Operating Officer

1.1 RP updated the subgroup that moving from SAP to Oracle is not in a position to be implemented in November as the programme has not met the fundamental quality targets to go live. RP reassured the subgroup that the programme will not compromise on quality.

1.2 RP informed the subgroup that a decision was taken to slow down the programme and undertake an independent review. The outputs from the first phase of the review were presented to CMT which included 7 days of reviewing work. The first 7 days of the review highlighted some issues that need to be addressed.

1.3 RP advised that the review looked at a variety of aspects within the programme but focussed on three key areas which included the delivery approach, schools' payroll and the plan to completion. The conclusion of the review was that the system was not believed to be fundamentally flawed but that there are elements of the solution that will require more work to be undertaken before implementation and that a different delivery approach is likely to be required in some areas. The review also highlighted that there are alternatives for some aspects of the programme that could be explored, for example the schools' payroll system. This area of the programme can potentially be descoped and worked in a different way to conclude sooner. More detailed work is therefore required to map out the critical path.

1.4 RP updated the group on the symptoms and issues that were identified by the review and highlighted that one of the fundamental findings was around the programme being a technical implementation focussing on mechanics rather than organisational readiness.

1.5 RP advised that the resourcing model for the programme has been a consideration regarding the challenges around resource time split between programme work and business as usual (BAU) along with the Council not having sufficient in-house skills and experience to deliver the project without some external expertise.

1.6 RP updated the subgroup on the next steps and advised that it may take 8 to 10 weeks of further review to have confidence in a refreshed plan in order to go live. These next steps include identification of activities on the critical path and the delivery model.

1.7 RP updated the subgroup that in terms of resourcing, the programme team has been the most significant part of the cost to the programme and therefore is being reduced during the review.

1.8 RP reassured the subgroup that parallel activities around phased implementation are being undertaken to mitigate the risk of continued use of SAP. It was noted that SAP is a very old system where components keep failing. RP advised that by slowing down the programme, it would free up some resources to address the SAP risk. SAP risk mitigation action has been identified to migrate the current SAP system to a cloud-based environment which could be implemented by the end of 2023.

1.9 RP advised that while the SAP mitigation work takes place, the review would continue to look at a technical assessment to map out the next steps and consider which approach to take for each aspect, which may result in a staggered implementation though also recognised the challenges with this approach.

1.10 RP advised that in terms of looking at resource budget, the programme costs have already been reduced and these continued to be looked at.

1.11 RP noted that the recent Value For Money report by Grant Thornton highlights that undertaking a review at this stage is the right approach.

2. DISCUSSION with subgroup

2.1 Cllr Fox expressed concern around loss of memory and knowledge by standing down of programme resource and asked whether they may be brought back into the programme at a later stage.

2.2 RP advised that the decision to stand down resource at this stage considered the risks around information retention, ability to secure resources in the future and the reputation of the programme. The risk of continuation of the cost in resources outweighed the risk of information retention which led to the decision of stepping down some resource.

2.3 RP reassured the subgroup that programme sponsors have been through the ticketing system and documentation system thoroughly and are satisfied that information recording is in good shape. RP advised that further conversations with the implementation partner, Oracle, and Infosys will provide some continuity which will help with information retention.

2.4 RP advised that further resource is being explored from other potential partners.

2.5 Cllr Fox noted that an issue identified in the review was around people considering the programme as something done to them rather than being part of the process and asked how this will be addressed going forward to engage people more effectively.

2.6 RP noted that engagement is an issue because the programme was set up as a technical implementation and therefore this period of review will be an opportunity to rebrand and relaunch the programme as an organisational implementation. The programme can report back to those involved to say that their feedback has been listened to in the proposal to go forward with a different approach.

2.7 Cllr Fox expressed concern about the budget for the programme and asked about its potential overspend.

- 2.8 RP advised that by slowing the programme and taking the programme across a longer period of time, the cost would be spread throughout more financial years seeing a less significant financial impact to the Council and will not rely as much on expensive external contractors.
- 2.9 Cllr Swansborough asked about the process of selecting the organisation to commence the review.
- 2.10 RP advised that two options were explored when deciding who would undertake the review.
- 2.22 Cllr Fox noted that a slower approach would give greater assurance of meeting quality targets and will not impede on the capacity for the Council to fulfil its duties and roles.
- 2.22 IG noted that the fundamental accountancy targets regarding paying staff and providers which would not be met if the programme were to go live now following the payroll parallel run. IG noted that in times where East Sussex are presenting a deficit budget, it is a sensible time to have review the programme and look at the timeline and the resources required to get over the line.
- 2.23 Cllr Fox noted that SAP and Oracle will be used in parallel while fixing localised problems however the go live date needs to be significantly in advance of the date from which SAP is completely unsupported.
- 2.24 Cllr Fox advised that it would be useful to see how confident each department or workstream within the Council is regarding transition to implementation in a RAG rated system.
- 2.25 RP shared data from the review which assessed each area of work with a 1 to 4 rating on how close they are to being ready for implementation. RP advised that some areas are closer to implementation than others.
- 2.26 RP reassured the subgroup that quality is prioritised and that officers have taken learning from other authorities who have gone live with a certain level of risk and issues regarding the programme implementation which have then become part of ongoing BAU problems.
- 2.27 Cllr Swansborough requested that slides are shared ahead of the Audit Committee with subgroup Member Cllr Beaver, who gave his apologies to this meeting.

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