

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.

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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