

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION	27 March 2024	
REPORT TITLE:	Oracle Improvement Programme Business Case	
CORPORATE DIRECTOR	Jane West, Corporate Director of Resources (S151 Officer)	
LEAD OFFICER:	Jane West, Corporate Director of Resources (S151 Officer) jane.west@croydon.gov.uk	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION? 0724EM	Yes	Reason: Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1** This report seeks approval to the Oracle Improvement Programme business case. This will initiate a two-year programme of work to ensure the council makes the most of its investment in its Oracle platform and drive significant improvements to key business processes.
- 1.2** The improvement programme which this investment supports is required to enable the transformation ambitions of the Council and support the priorities in the Mayor’s Business Plan 2022-2026 as detailed below.

2 RECOMMENDATIONS

For the reasons set out in the report, the Executive Mayor in Cabinet, is recommended to approve the recommendations below to:

- 2.1** Approve the Oracle Improvement Programme Business Case attached as appendix A.

- 2.2 Approve the addition to the capital programme of the budget requested of £3.922m funded through earmarked reserves.
- 2.3 Note that the HR business case will be subject to a separate report to Cabinet in June.

3 REASONS FOR RECOMMENDATIONS

- 3.1 To provide the Council with the confidence that it has a robust Oracle platform for Finance, HR, Payroll and Procurement systems that reflects best practice and enables further council transformation.
- 3.2 To improve the user experience of Oracle by promoting greater self-service functionality for line managers, budget managers and promote simplification and exploit the automation of processes.

4 BACKGROUND AND DETAILS

- 4.1 The Oracle Enterprise Resource Planning (ERP) application (Oracle's Cloud Fusion and referred to at Croydon as My Resources) is one of the most critical IT systems used across the council. It is a suite of inter-dependant modules that cover finance, HR, procurement, and supply chain operations. It enables the payment of staff and suppliers, the collection of income and management of the Council's finances and employees. It went live in May 2019 replacing several disparate systems.
- 4.2 The council has a contract with Oracle for licences to use their Fusion product and a separate contract with Mastek (previously called Evosys), who both implemented the system and provide ongoing support.
- 4.3 Since 2019, with the implementation team disbanded after going live with the system, little investment has been made to further develop the system and it is now, in its current configuration, holding back further changes to back-office services and the wider transformation of the council.
- 4.4 As reported to Cabinet in September 2023 Oracle were commissioned to undertake a review of the My Resources system to understand where improvements can be made to align the system with Oracle best-practice and ensure the Council maximises the benefits it can achieve from its investment.
- 4.5 The review involved over 70 key users across the council with over 12 workshops held.
- 4.6 The review measured the council's systems process maturity against four levels:
 - Stage 1: Marginal
 - Stage 2: Stable
 - Stage 3: Best Practice
 - Stage 4: Transformational

- 4.7** Regarding the HR processes they were assessed at Stage 1 maturity and are characterised by several off-system activities and functionality gaps with consequent human-intensive effort.
- 4.8** In Finance the majority of the processes they assessed at Stage 2 maturity with the major problems highlighted pertaining to establishment data sync issues and a lack of automation in collections.
- 4.9** Procurement was assessed as consistently at maturity level 2 but with key issues highlighted on supplier set up and user compliance.
- 4.10** Oracle conclude that it should be realistic to aim for a best practice level of maturity and identified illustrative, best practice process changes, ranging from quick wins using reporting and functionality already in place to utilising functionality we have available but not deployed or where we have potential configuration/process design issues.
- 4.11** Cabinet in September 2023 agreed to a six-month programme of work to construct detailed improvement plans and a business case. To enable this, funding of £0.915m was agreed as an initial upfront investment to undertake this planning and put in place a core resource complement through to March 2024.

Business Case

- 4.12** The principal objective of the Oracle Improvement Programme is to provide the Council with confidence that it has a robust Oracle platform for Finance, HR, Payroll and Procurement systems that reflects best practice and enables further council transformation. The business case sets out further objectives, an important one being that it should provide a single version of the truth for all council finance and HR data.
- 4.13** The following design principle have been developed to guide the improvement plan:
- Start with the Oracle recommended “best practice” processes and configuration.
 - “Adopt not Adapt” this may mean changing our process to work with the system – don’t bespoke the system to match our process.
 - Move to “on system” processes where we can.
 - The system should record sufficient detail to support processes.
 - Data not to be stored outside of the system (e.g. on spreadsheets).
 - Management and Business Information to be made available through dashboards.
 - Avoid the need to re-key data.
 - We need to become a “Best Value” Council.
 - Increasing value from the investment in the system.
- 4.14** The work to produce the business case for the Finance and Procurement elements of the project is complete and reflected in this report and attached Programme Business Case document. Due to delays in securing suitable resources to undertake the HR planning and business case work, the HR business case work only commenced in early 2024. The final key resource needed to lead the design joined the Council on 22

February. The HR business case is now moving at pace and will be presented to Cabinet in the early summer for consideration. This does not hold up the implementation of the Procurement and Finance proposals although the Finance revenue forecasting improvement will be dependent on the expected HR establishment improvements. However, the short delay to HR business case will not materially impact the delivery.

Procurement Business Case

4.15 The procurement business case has been informed by extensive consultation with other councils as well as workshops with Oracle and partners to assess functionality. This work aligns with the service led procurement and contract management improvement plan.

4.16 The key proposed deliverables for the purchasing improvement plan are:

Guided Learning within Oracle Fusion will be piloted across the purchasing process to provide guidance on specific activities within the system as people are about to undertake them.

Documentation/materials used in the purchasing process will be updated to reflect key compliance messages (internally and for suppliers).

Blanket Purchasing Agreements (BPAs) will be introduced to enable better control of spend, contract expiry dates and more efficient approval flows. This will also support improved control of waivers.

E-invoicing for the remaining invoices entered manually will be introduced via the Fusion i-Supplier portal.

Dashboard reporting will be developed, drawing on systems across purchasing, procurement and contract management to support Procurement and Directorates in decision making.

A variety of other enhancements to the process within Fusion will be adopted such as **self-service registration for new suppliers**.

A new role is being created with responsibilities including analysis of the reporting data, delivering improvements, enforcing compliance, and developing/delivering ongoing learning.

4.17 Due to a lack of take-up of other specific Oracle functionality within Croydon and across other councils, the viability including a cost/benefit assessment of Oracle's offering versus other available systems has been made. The key non-Oracle business case recommendations are as follows:

The existing system in place for e-tendering (**In-tend**) is recommended to be developed for **pipeline management, e-tendering and contract management** requirements. This is due to a combination of functionality, costs and feedback from other councils.

E-signature functionality will be introduced. The aim is to integrate this into In-tend to support a more complete contract repository.

Finance Business Case

4.18 The three priority areas of Planning & Budgeting, Receivables & Collections and Expenses including Purchase Cards were identified for the Finance activity. These priority areas are considered as a part of the business case. However, the discovery phase has looked at all core finance processes which are associated with Oracle, to ensure that we can maximise the benefits from this improvement programme.

4.19 The review of the current processes and systems has identified a significant number of improvements which should be implemented to improve financial processes and systems. The improvements are grouped under the following themes:

Theme	Function	Enhancements Proposed
Financial Management	Accounts receivable and collections	<ul style="list-style-type: none"> • SMS messages to be sent to customers to request the payment of debt • Refine the customer statements to provide more information • Robotic automation • Paperless direct debits
	Cash management	<ul style="list-style-type: none"> • New bank file integration • Automatic reconciliation • Timely management review process
	General ledger	<ul style="list-style-type: none"> • Automation of sub ledger reconciliations • Automation of key control account reconciliations • Key reconciliation dashboard
	Expense reimbursement and p-cards	<ul style="list-style-type: none"> • Entry securely via personal devices • Mileage claim enhancements • Improve violation rules • Improve audit & reporting functionality
	Project costing	<ul style="list-style-type: none"> • Move capital budgeting and forecasting on to the system • Develop associated training
Enterprise Performance Management	Revenue forecasting	<ul style="list-style-type: none"> • Improved user experience. • Corrections to staff costs to be automatically incorporated into forecast. • Cost centre summary information and commentary introduced. • User access to historical forecasts. • Predictive planning technology to improve forecasting. • Improve the access to transaction detail. • Key finance reports to be produced directly from the system, including commentary. • Budget holder training and guidance.
	Capital forecasting	<ul style="list-style-type: none"> • Move capital forecasting on system from Excel • Move to whole life forecasting

		<ul style="list-style-type: none"> • User access to historical forecasts. • Key finance reports to be produced directly from the system, including commentary. • Project manager training and guidance to ensure that all project managers
	Capital budgeting	<ul style="list-style-type: none"> • Move capital budgeting on system from Excel • Move to multi year/whole life budgeting • Move virements on system
	Support service allocations and recharging	<ul style="list-style-type: none"> • Move internal recharge model to on system from Excel • Automate recharge journaling
System Compliance and Risk Management	Advanced access controls	<ul style="list-style-type: none"> • Identify areas segregation of duties issue.
	Advanced financial controls	<ul style="list-style-type: none"> • Monitor key processes to ensure that they are operating effectively, and anomalies are quickly identified. • For key processes to identify areas of non-compliance and take action to resolve. • Audit of transactions and configurations to detect error, fraud, and waste.

Change Management

- 4.20** The Oracle improvement programme system improvements will only be successful if the business process improvements enabled by the programme are thoroughly embedded into the business. We have invested in a dedicated change manager to ensure this happens.
- 4.21** The business case sets out the approach we will be taking to Change Management. There will not only be training, communication, and engagement, but we will also focus on embedding the change in the longer term by developing key metrics, pathways and escalation routes for addressing behaviour where organisational procedures are not being followed.
- 4.22** There will be a strong focus on building a continuous improvement culture, providing training and development to enable employees to identify opportunities for improvement in their day-to-day processes and building resource to enable the organisation to support the delivery of this activity.
- 4.23** Change activity will be undertaken at both a workstream (Procurement, Finance and HR) and programme level.
- 4.24** To address the known issues at Croydon such as change fatigue, a lack of engagement and issues with compliance around new processes/procedures, the change activity for the programme has been split into three main parts:
- Oracle Improvement Programme Change Activity
 - Metrics and KPI Activity
 - Continuous Improvement Activity

4.25 Change activity will be undertaken at both a workstream (Procurement, Finance and HR) and programme level.

Programme Management

4.26 Given the importance of these changes to the Council and the pace of the change required appropriate programme management and leadership to deliver the programmes' objectives has been built into the business case. Aside from leadership, programme management and Change Management resources, the budget proposed includes temporary extra capacity in the system support team to recognise the additional burden on this team that keeps the system functioning, testing capacity and funding for technical design authority. Some of this resource will be required throughout the life of the programme other resources are planned to be required during critical implementation phases.

Financial Cost

4.27 The costs for the Finance and Procurement workstreams as well as programme management and change are set out in the table below.

4.28 As the HR business case is yet to be constructed, it will be reported in the early summer. The cost of the work to build the HR business case is included, however, as this activity has slipped, it is funded from the carried forward 2023-24 budget previously approved. It is prudent to assume, given the scale of the improvement work envisaged for HR, that the HR business case could cost up to a further £4m.

4.29 A contingency budget has been included based on best practice for this type of project.

4.30 The total cost (excluding the full HR business case) is £4.5m which is reduced by the £0.5m balance remaining from the 2023-24 transformation budget previously approved. The extra capital programme budget requested at this stage is £3.9m.

	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	Total (£000's)
Procurement workstream	620.7	120.0	0	740.7
Finance workstream	829.5	400.5	0	1,230.0
HR & Payroll workstream (Design)	113.0	0	0	113.0
HR Workstream business case	TBC	TBC	TBC	TBC
Programme & Change Management workstream	1,113.7	904.7	0	2,018.4
Contingency (c10%)				350.0
Total	2,676.9	1,425.2	0	4,452.1
Remaining budget previously approved				(530.0)
Net funding requested				3,922.1

Benefits

- 4.31** The business case is designed to provide the Council with confidence that it has a robust Oracle platform for Finance HR and Procurement processes that reflects best practice, optimises business efficiency and enables the Council's transformation ambitions. The improvements will ensure key data is held on system, producing a single version of the truth from one system, strengthening data retention, data security and improving audit trails.
- 4.32** The business case goes into detail on the expected benefits for the 'Finance and Procurement workstream elements. The key features of which are:

Finance:

- Improved revenue and capital budgeting and forecasting
- Improved income collection
- Stronger financial controls

Procurement:

- Improved control of purchase orders
- Improved compliance with purchasing processes
- More effective sourcing and management of contracts

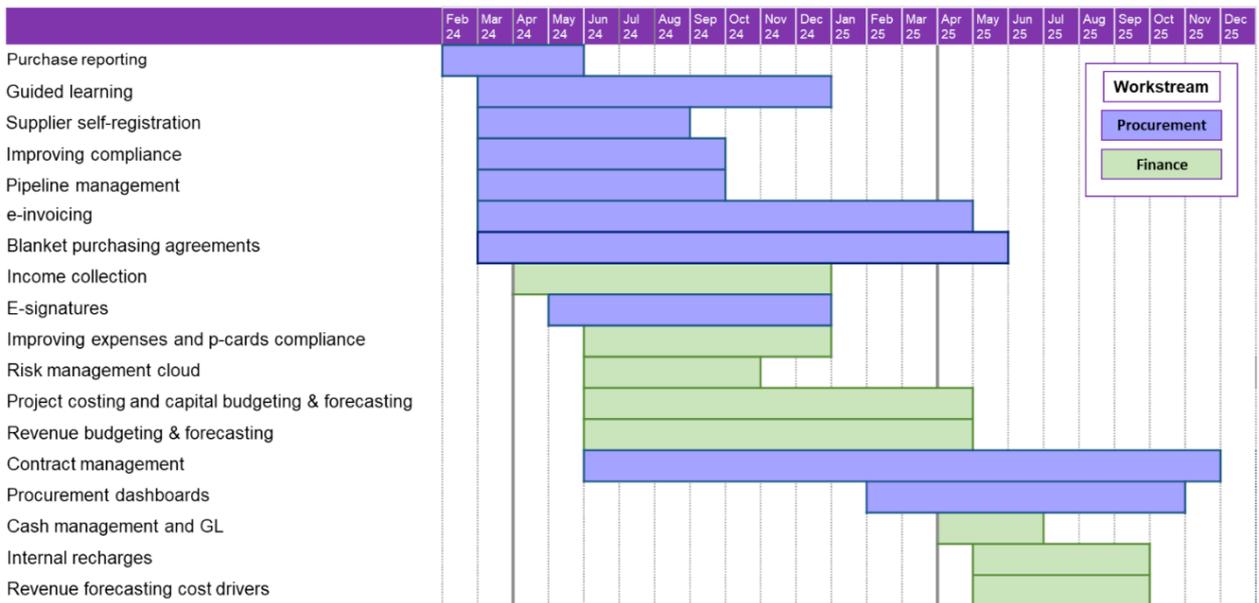
Cashable Benefits

- 4.33** The improvements set out in the business case will be key enablers of future cashable efficiency savings for the Council. The current Medium Term Financial Strategy and existing Transformation Plan have provision for cashable savings relating to the transformation of the HR, Finance and Procurement functions which will rely on major improvements to the Oracle platform. A procurement and contract management improvement plan will set out savings to be delivered through business improvements enabled by the Oracle business case proposals. The significant savings ambitions implied by the council changing its operating model set out in the updated Transformation Strategy will rely on the major changes proposed to the Procurement and Finance workstreams and the future changes coming forward in the HR workstream.
- 4.34** This improvement programme should be seen as the start of a journey to fully exploiting the capabilities that the Oracle Fusion platform provides now and will offer in the future. At the completion of this improvement, arrangements will be put in place to ensure the council continues to improve the system and associated business processes.

Milestones

- 4.35** This improvement is planned as an 18-month programme of work. Although it is likely the HR business case will require slightly longer. The table below indicates the

Finance and Procurement timescales planned. This reflects the amount of work involved, the sequencing of the tasks, alignment with complementary business improvement plans and the timing of implementation to fit outside of key business process times, such as financial year end.



Risk

4.36 The business case sets out five priority risks for the programme to manage. While mitigating actions are planned, most of these risks will remain Amber and will require regular monitoring by the programme board. The red risks are:

- There is a risk that our scope and ambition of the programme is not widely understood.
- The key business changes enabled by the programme are not understood and fully adopted across the Council.
- Competing demands across the organisation

Commercial Considerations

Mastek support

4.37 Mastek as our support partner are required to continue with the current support arrangements for a further two years from the current contract expiry in August 2024 and be engaged to deliver the technical solutions set out in the Finance and Procurement plans and when ready the HR improvement plans. The appropriate procurement processes via a compliant framework are being pursued,

Oracle Licence

4.38 The council currently spends c£500,000 pa on its Oracle license. This is of a similar level to other London Boroughs that use Oracle Cloud. The license period is up for renewal in September 2024. The licence covers a large number of modules of the

software and the extent of their use and cost, largely driven by active user numbers, is part of the consideration of the project. There are potentially modules we are not currently making use of that we may wish to use more expansively and similarly there may be modules that we conclude are not required or we can re-engineer the extent of the volume needed.

- 4.39** The outcome of these determinations will feed into the license renewal commercial discussion with Oracle and the intention of the project is to limit growth in the license fee.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1** A discussion paper was presented to the Corporate Management Team in November 2021 outlining the plans for the My Resources (Oracle Fusion) system. There was unanimous approval to continue to leverage the Oracle Fusion platform rather than undertake a costly and distracting re-tendering exercise to replace it and implement an alternative system.
- 5.2** Also considered was operating with no further investment in Oracle Cloud and to work within the constraints of the current system footprint. This was considered as suboptimal as it would hinder further service improvements and is impractical given the Oracle Cloud system as a modern cloud application is constantly evolving and will always require development.

6 CONSULTATION

- 6.1** Engagement has been undertaken with HR and Payroll, Finance and Procurement business owners both separately and via several workshops facilitated by Oracle. The workshops were well attended with more than 70 users from inside the council attending 12 workshops, cumulating in more than 20 hours of discussion. Following on from this during the development of the business case proposal there has been ongoing consultation with business owners. The proposals presented in this report have the support of the business owners.
- 6.2** This level consultation and engagement has meant that there is a comprehensive view of the requirements and ambitions of Croydon to not only improve business processes but also adopt improved cultures and behaviours.

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1** This programme of work directly contributes to the following outcome and supporting priorities in the Mayor's Business Plan 2022-2026:

Outcome 1 - The council balances its books, listens to residents, and delivers good sustainable services.

Priority: Get a grip on the finances and make the Council financially sustainable.

Priority: Ensure good governance is embedded and adopt best practice.

Priority: Develop our workforce to deliver in a manner that respects the diversity of our communities.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 This is an important project to enhance our key corporate Finance, Procurement and HR systems which we are not currently making the best use of. The cost of the Finance and Procurement work and associated programme and change management is set out in paragraph 4.30 and is forecast to be an extra cost of £3.922m above currently agreed transformation budget. It should be noted that this does not yet include the HR improvement cost which will follow in a report to Cabinet in June.

8.1.2 The £3.922m budget is requested through this report to be added into the capital programme and will be funded from earmarked reserves. Ongoing annual revenue licencing costs should be maintained within the current funding level, however if through the project there are savings or growth identified then these need to be taken into account in the Council's Medium Term Financial Strategy (MTFS).

Comments approved by Allister Bannin, Director of Finance (Deputy S151 Officer)
(21/02/2024)

8.2 LEGAL IMPLICATIONS

8.2.1 The Council as a best value authority "must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Section 3 Local Government Act (LGA) 1999). The Best Value Duty applies to all functions of the Council.

8.2.2 On 20th July 2023, the Secretary of State for Levelling Up, Housing and Communities ("the SoS") issued Directions under Section 15(5) of the LGA to the Council on the basis that the Council was failing to comply with its Best Value Duty and setting out actions to be taken by the Council to comply the duty. The SoS Directions require the Council to, amongst others, continue to address the culture of poor financial management and to restore public trust and confidence by transforming the Council's activities, practices, and omissions to ensure that

they are compatible with the best value duty. In addition, the Council is required to secure as soon as practicable that all its functions are exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Croydon.

8.2.3 The Council's budget and policy framework procedure rules (Part 4C of the Constitution) provides that the Executive may only take decisions which are in line with the Budget and Policy Framework and the budgetary allocation is set out in the financial implications section above.

8.2.4 In respect of projects which form part of the proposed programme, officers will be undertaking the necessary Data Protection Impact Assessments to support the Council's data protection duties, including in relation to ensuring privacy by design as part of the projects and their implementation. Under the UK GDPR and Part 3 (section 57) of the Data Protection Act 2018, the Council has a general obligation to implement appropriate technical and organisational measures to show that it has considered and integrated the principles of data protection into its processing activities.

Comments approved by the Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (05/03/24)

8.3 EQUALITIES IMPLICATIONS

8.3.1 Under The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in Section 149 of the Equality Act 2010. The Council must, in the performance of its functions, have due regard to its duty to:

- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.3.2 Though at business case stage the impact for equalities is likely to be minimal, as the project rolls out, it will be important for colleagues to consider implications for accessibility and to keep this in review as the project progresses.

Comments provided by: Helen Reeves, Head of Strategy & Policy (20/02/2024)

8.4 HUMAN RESOURCES IMPLICATIONS

8.4.1 It is noted that the HR business case will be subject to a separate report to Cabinet in mid- 2024. HR will continue to be involved at all stages of the programme. There are no other immediate HR implications that are not already identified in the body of this report.

Comments approved by Gillian Bevan, Head of HR Resources and Assistant Chief Executive's directorates on behalf of the Chief People Officer. (Date: 6/2/24)

9 APPENDIX

Appendix A - Oracle Improvement Programme Business Case.

10 BACKGROUND DOCUMENTS

N/A