Cabinet – 16 July 2008

Oracle Finance and Procurement Transformation Project

Portfolio: Councillor M Arif

Service: Procurement, Transformation and Performance Management

Wards: All

Key decision: Yes

Forward plan: Yes

1.   Summary of report

1.1   The report outlines the proposed Target Operating Model for financial and procurement transactions, including the benefits in terms of efficiency and quality of service. Seeking cabinet endorsement and approval to implement the new model including project costs of £4.12m and the funding of the capital element (£4m of the £4.12m) from the existing £5.5m ICT and Oracle modernisation capital programme provision approved by cabinet in 2007/8 and rolled forward to the 2008/9 programme.

1.2   Copies of the Target Operating Model and Oracle Strategic Business Case are available on the committee information website and member's group rooms.

2.   Recommendations

2.1   That cabinet endorse the proposed Target Operating Model for financial and procurement transactions.

2.2   That cabinet approve the business process reengineering and business change required to implement the Target Operating Model.

2.3   That cabinet approve the upgrade of the Oracle Financials and iProcurement systems to support the Target Operating Model and enable the benefits in terms of efficiency and quality of service to be achieved.

2.4   That cabinet approve the project costs of £4.12m.

2.5   That cabinet approve the funding of the £4m capital element of the total £4.12m project cost from the existing £5.5m ICT and Oracle modernisation capital programme provision approved by cabinet in 2007/8 and rolled forward to the 2008/9 programme.

3. Background information

3.1 The Oracle Financial and iProcurement (iProc) systems are critical to effective financial management within the council and maximising the use and automation derived from these systems has been identified as integral to the wider transformation agenda, enabling improvements in the quality and efficiency of service delivery throughout the council. However issues with the functionality, support and performance of the current implementation have proved a barrier to these improvements.

3.2 In 2006/07 only 34,000 iProc orders were raised compared with 194,000 invoices paid via the system, the remaining orders being raised off line, manually or with no formal requisition in existence. Examples such as this have led to the continuation of manual authorisation of all invoices, reliance on disparate local systems and fragmented financial data. This impacts directly on the effort required to control procurement activity and provide financial governance, limiting in turn the scope to improve and innovate in these areas.

3.3 With existing contracts for the hardware to support the current version of Oracle due to run out in 2008/09 adding to the already urgent need to address the deficiencies in the current model, the Oracle Finance and Procurement Transformation Project was initiated with the following drivers for change identified as being relevant:

- Delivery of value for money.
- Consolidation of activities.
- Standardisation and automation of processes.
- Improved governance and accountability.
- Improvements in financial reporting timelines.
- Improved access to financial information for budget holders.
- Self help in delivery of services.
- Better quality services for citizens and users.
- Improved efficiency and effectiveness.

3.4 **Overview of the New Target Operating Model:**

3.4.1 Developed through an extensive process of stakeholder engagement the new Target Operating Model is aligned to the following key principles:

- Functions are to be streamlined with a common service centre being created which will provide support for all transactional activities.
- Service users are to be responsible for generating purchase requisitions, purchase orders, sales invoices and sales credit notes through the Oracle system.
- The principle of self help will apply and budget holders will be provided with the tools to prepare their own budgets, generate monitoring reports and prepare forecasts.
- Oracle Financials and iProc are to be used as the key financial systems within the council.

- iProc will be used to generate all purchase orders, unless under very exceptional circumstances where it can be demonstrated that it is not appropriate for this purpose.
- Governance and accountability to be improved with greater access to council approved tenders and suppliers and automated contract monitoring procedures.
- Processes are to be automated as much as possible with the use of manual documentation and checks eliminated and removal of reliance on excel spreadsheets.
- Workflow technology will be utilised to enhance the communication process.
- Electronic connection to customers and suppliers to be promoted.
- Appropriate training and support to be provided to users during implementation and on an on-going basis.

3.4.2 The new model is based on best practice business processes aimed at maximising the return from the functionality and automation derived from the Oracle systems. It includes the proposal for the consolidation of the existing procure to pay, accounts receivable and general ledger functions within a single service, thus simplifying the operational and support arrangements and increasing both the efficiency and effectiveness of these services. The resulting benefits include improved ordering and receipting, reduced time to process accounts receivable and accounts payable invoices and improved access to more up to date budgeting information for budget holders, senior managers and elected members.

3.4.3 Efficiencies associated with the new Target Operating Model have been identified within the existing Finance and Financial Administration functions:

- In total, gross savings of £511k per annum are anticipated in 2010/11 and £818k in 2011/12 onwards from a reduction in the FTE requirement associated with these services due to improved business processes. These savings are already included in the medium term financial plan.
- It is estimated that further efficiency savings can be gleaned from implementation of the new model which will contribute to the existing procurement savings target of £4.9m by 2010/11. These efficiencies will be realised as a result of the improved contract management and procure to pay processes which will be enabled by the new system. Due to the lack of baseline data a target for financial savings has not been set at this stage, but the baseline will be identified in April 2010 following the implementation of the new system and an additional savings target agreed at this time.

3.4.4 It should be noted that the improvements and efficiency savings associated with the adoption of the new model are dependent on council wide compliance with the supporting business processes. Less than full compliance will put at risk the efficiencies identified above.

3.4.5 The introduction of the Target Operating Model would represent significant change for the council. In order to smooth the process it is proposed that, as appropriate, interim changes to existing systems and processes are made to introduce as many elements of the model as possible and to facilitate the transition to full implementation. By approaching the project in this way some of the expected efficiencies may be realised ahead of schedule and prior to the final

go live date. Further work is being undertaken to identify and plan what changes can be implemented during this period. This process will be further informed by the chosen implementation partner who will assist in both the business change and technological elements of the project.

3.5 **Key Milestones and Timetable:**

3.5.1 Detailed project plans will be developed as part of the implementation however the outline timetable is shown below:

Milestone	Target Date
Investment Decision	July 2008
Award of tender for implementation partner	October 2008
Design, Build and Test	February 2010
Go Live	April 2010

4. **Resource considerations**

4.1 **Financial**:

4.1.1 The affordability analysis for the project identifies implementation costs of £4.12m of which £4m relates to capital expenditure. These costs include undertaking the required programme of business process reengineering and the technical upgrade of Oracle Financials and iProc including the supporting hardware platform. The remaining £118k of revenue costs relate to training of which £108k fall in 2009/10, as such these costs will need to be included as part of the 2009/10 budgeting process. Full details of the project costs and the technical options appraisal are included in the Oracle Strategic Business Case.

4.1.2 Due to the expected efficiency savings associated with the project, the baseline cost for service delivery would reduce from the current figure of £8m per annum to;
   - £7.7m in 2010/11 (saving of 300k);
   - £7.3m in 2011/12 (saving of 700k) and;
   - £7.2m in years 2012/13 onwards (saving of 800k per annum).

   These projected costs include capital charges of £190k per annum.

4.1.3 In 2007/8 cabinet approved a one-off capital investment of £5.5m for ICT transformation projects. This was rolled forward into 2008/9, subject to suitable business cases being proposed, to meet the transformation agenda including ensuring adequate ICT infrastructure arrangements within the council. The Oracle project would be expected to act as a first call on these resources and therefore the capital costs of the project would need to be accommodated from this existing budget.

4.1.4 This will have an impact on other bids within the ICT element of the capital programme as the revenue stream identified to fund the ICT capital programme will be reduced, a summary of which is included in **Appendix 1**. These bids would still remain as would the associated requirement criteria of a valid business cases being produced and funding streams identified. An additional

£1m of borrowing capacity is already allowed for in the treasury management strategy for projects which meet the stated criteria.

4.2 **Legal**:

4.2.1 Full Legal consideration will be given to all aspects of the tendering, implementation and benefits realisation associated with the project.

4.3 **Staffing**:

4.3.1 A reorganisation of existing functions is required to support the Target Operating Model. It is recommended that this is identified as a separate work stream to be led by Finance and Business Support and coordinated by the programme/project office as part of the benefits realisation planning. This will be subject to a full consultation process with all stakeholders in accordance with the existing procedures.

4.3.2 There will be significant change management implications for staff across the organisation. This will be supported through a comprehensive training and engagement strategy, included in the implementation of the agreed option.

5. Citizen impact

Improved transactional processes will deliver: better value for money; improved customer satisfaction through increased responsiveness; accuracy of billing for services; improved supplier payments; improved financial budgeting and fiscal management. Overall, the new transactional operating models for finance and procurement will generate efficiencies that will release organisational capacity to improve service delivery.

6. Community safety

No issues arising from the report.

7. Environmental impact

The new model will maximise the use electronic transactions and reduce the dependency on hard copy processes and storage.

8. Performance and risk management issues

8.1 **Risk**:

The risk management approach that the project team will use is as follows:

- Risk analysis and management overview.
- Risk identification and documentation.
- Risk analysis and prioritisation.
- Risk mitigation and avoidance.
- Reassessment of risk and revising the Risk Management Plan.
- Agreeing the benefits realisation strategy.
- Aligning the organisation.

- Measuring benefits and tracking performance.

A risk register will be maintained and updated in line with the council's risk management methodology as the project progresses. The main project risks that have been identified are detailed in **Appendix 2**.

8.2 **Performance management**:

The new model will enable more effective financial and procurement information to be made available throughout the organisation assisting in budgetary control and financial planning.

9. Equality implications

An equality impact assessment will be undertaken as part of the implementation.

10. Consultation

All key stakeholders have, and will continue to be consulted with as part of the project.

Background papers

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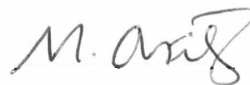☎ 652910
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James Walsh
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7 July 2008

Councillor M Arif
Portfolio Holder

7 July 2008

Appendix 1: **Bids for ICT Projects against the ICT Capital Programme**

Below is a summary table showing the 7 projects making up the ICT Capital Programme together with the impact of not proceeding with them.

Project	Budget	Description	Impact if not delivered
Remote Data Centre & Disaster Recovery	£250K	Establish a second data centre	Council has a single point of failure for all its data
Information Management (Incorporating CRM & Contact Centre)	£216K	Implementation of Information sharing software tools to more efficiently store and retrieve data and to look to join together back office systems to achieve a citizen centric service.	
Network Solution & Remote Telephony	£810K	Invest in modernising the Councils communications network.	Not being able to provide or meet customer expectations in the future through poor capacity and performance.
Additional Data Storage	£350K	To grow the existing data storage Solutions	The business is unable to continue storing data in the future
Corporate User Access (PC Replacement)	£1,350k	Refresh and modernisation of all Council workstations onto a more efficient user access platform.	Equipment becomes no longer fit for purpose and cannot support current applications
Corporate Printer Refresh	£144k	Refresh and modernise the way the Council uses printers	Retained high cost of printing together with a detrimental impact on the environment
Corporate Server Refresh	£979K	Refresh and modernise the server estate (including platform for Oracle Financials)	Services put at risk when servers fail, suppliers no longer able to support applications.
Total	£4,099k		

Appendix 2: Analysis of the Project Risks

The main project risks that have been identified are listed below. An assessment of the likelihood of the risks arising and the impact should it arise has been calculated (maximum score is 24). Mitigation strategies have been identified for those risks with a score of more than 3.

Risk	Description	Impact	Likelihood	Score	Mitigation
1	Non-compliance of users with new operating model – e.g. non compliance with new processes or full functionality of system (i-Proc use does not increase)	4	5	20	Senior leadership mandate for compliance across the organisation Ensure adequate communication and training in relation to Target Operating Model Communicate that efficiencies are linked to compliance Put appropriate compliance monitoring in place Ensure there is an appropriate enforcement mechanism for non-compliance
2	Business managers continue to rely upon Finance dept support for budget monitoring and do not take responsibility for their own monitoring	4	5	20	Ensure adequate training is given to business managers and finance Ensure that roles and responsibilities of business managers and finance are made clear and well communicated Ensure accountability is well communicated
3	Incorrect or Insufficient resources allocated to the project	4	4	16	Clearly identify, agree and communicate Investment decision Secure support from senior management

4	Key staff are de-motivated due to staff reductions – e.g. managers in finance and business support	4	4	16	Communicate impact of project on efficiency targets Engage in full consultation process with all stakeholders in accordance with the existing procedures at the earliest opportunity.
5	Lack of user buy-in to the proposed solution	3	5	15	Senior leadership advocacy of new operating model Ensure sufficient training and communication plans are put into place early Ensure management have a mandate for compliance monitoring and enforcement Ensure there is sufficient user and stakeholder engagement Plan and execute appropriate user acceptance testing
6	Lack of senior management buy-in to the proposed solution	5	3	15	Ensure sufficient training and communication plans are put into place early Ensure an appropriate SRO and project board have been selected Communicate the link between compliance and efficiencies Ensure project benefits are appropriately communicated
7	Poor internal communication	3	4	12	Ensure effective communications strategy is in place
8	Staff are difficult to retain as project kicks-off and individuals understand the change impact	2	4	8	Ensure an appropriate change management strategy is in place to facilitate move towards new structures Establish a performance related incentive scheme
9	Inadequate knowledge transfer from the consultants to the core team	2	4	8	Establish a formal mechanism to facilitate and monitor the effectiveness skills transfer

10	Inadequate knowledge transfer from the core team to the end users	2	4	8	Establish a formal mechanism to facilitate and monitor the effectiveness skills transfer
11	Future budget pressure affecting investment decision	4	2	8	Manage communications with senior management and council members Ensure project objectives are clearly communicated Ensure project budget is managed and any change is identified early, controlled and communicated
12	Inadequate Definition of project requirements and deliverables	3	2	6	Clearly identify, agree and communicate product definitions and document standards
13	Inadequate ICT infrastructure to support new hardware and software requirements	3	2	6	Clearly identify, agree and communicate Investment decision Clearly defined technical architecture Secure support from senior management
14	Inadequate plans and resources to roll system out to all users	3	2	6	Clearly identify, agree and communicate formal project plans
15	There is a lack of new operating model compliance monitoring and control	4	1	4	Establish a formal performance management framework including key performance indicators
16	Risk to wider employee relations	2	2	4	Ensure early engagement with staff and their representatives Engage fully with HR and ensure employees are kept up to date with developments
17	Risk of political decision affecting investment decision	4	1	4	Manage communications with senior management and council members Ensure project objectives are clearly communicated
18	Oracle R12 software is immature and does not function properly	3	1	3	

Strategic Business Case for Upgrade of Oracle Financials and iProcurement

Walsall Council
Strategic Transformation
Civic Centre
Darwall Street
Walsall
WS1 1TP

Final Version

Walsall Council

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DOCUMENT CONTROL

Document Location:	eRoom: ICT Transformation
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DOCUMENT AMENDMENT RECORD

Issue	Amendment Detail	Author	Date
0.1	Strategic Case for Review by Deloitte Project Director and Deloitte Quality Review Partner	J Small/P Barr	17/12/07
1.0	Strategic Case for Review by Project Board	B Hall	20/12/07
2.0	Strategic Case amended for Project Board comments. Option long list and short list added	J Small	11/01/2008
2.1	First Draft of Complete Business Case for Internal Review	P Barr/J Small/S Aggarwal	09/04/2008
3.0	First Draft of Complete Business Case for Review by Project Board	P Barr/J Small/S Aggarwal	11/04/2008
4.0	Final Draft Version incorporating changes requested by project board members and finance for Agreement by Project Board	J Small/P Barr	21/04/08
Final	Final Efficiencies agreed. For approval by James Walsh	J Small	16/06/08

GLOSSARY

Short Term	Description
AR	Oracle Accounts Receivable Module
AP	Oracle Accounts Payable Module
BPR	Business Process Re-engineering
CRM	Customer Relationship Management
EBS	Oracle E-Business Suite Applications
ERP	Enterprise Resource Planning
Fujitsu	Fujitsu Services
HR	Human Resources
EAM/ eAm	Oracle Asset Management
R12 / r12	Oracle Release 12
KPI	Key Performance Indicators
SOA	Oracle Service Oriented Architecture
SME	Subject Matter Experts
The Council	Walsall Council

1 EXECUTIVE SUMMARY

1.1 Introduction

One of the recommendations from the 2006 ICT Transformation Strategy was that Walsall Council ('the Council') address a number of issues around the Oracle Financials and iProcurement systems. Through the Efficiencies workstream of the Transformation programme, the Council subsequently undertook the Oracle Review Project which concluded that the way forward required a significant level of change for the Council, and recommended a detailed planning phase to ensure that the way forward (once agreed) is planned, resourced, budgeted and understood properly.

This planning stage was to result in the production of three key products;
▪ Target operating model and business vision;
▪ Business case; and
▪ Oracle business requirements

This document is the second of these products, the Strategic Business Case for the upgrade of Oracle Financials and iProcurement. It outlines:

▪ The compelling need to update Walsall's Oracle Financials and iProcurement systems.

▪ The options available in terms of the software to be implemented and available service delivery options.

▪ The costs and benefits associated with each short-listed option.

▪ The rationale for selection of a preferred option to be taken forward.

It should be noted that this business case only considers Oracle as a solution to the Council's financial system requirements as a review of Oracle as the Council's preferred platform for these systems is not within the scope of this review.

It should also be noted that the figures and inputs represented in this case have been largely supplied by the Council and reflect the Council's views on the costs and associated attainable benefits.

1.2 Strategic Case

The context for this Strategic Business Case focuses on five aspects. These are detailed below:

1.2.1 The strategic context within which the Council is operating:

The need for improved financial and procurement systems in the Council takes place within an overall context for change within Local Authorities and across the wider UK Public Sector.

Initiatives are underway, at both a national and local level, which are designed to improve service delivery for customers and remove duplication and bureaucracy within the system, making processes more efficient, improving governance and accountability and enhancing value for money in the delivery of public services. There is an emphasis on self-service – that is, providing systems for council employees to access information themselves. These principles will underpin any changes arising from the options for development of finance and procurement services outlined within this business case.

1.2.2 Current operating arrangements for iProcurement and Oracle Financials

The two Council Service Units that currently perform key roles in relation to procurement, purchasing and financial management are Finance and Business Support. The Corporate Procurement Department also provides a key support role in respect of strategic corporate procurement, tendering of council-wide contracts and provides training and support to users on iProcurement.

An analysis of the tasks undertaken by each of these three units indicates that there is a significant degree of duplication. In addition, the organisational arrangements differ between business units throughout the Council, depending on the degree of use of Oracle within individual business units.

In total, 224.26 full-time employed individuals are involved in delivering financial, purchasing and procurement services at the Council, at a cost of £6.8m per annum.

1.2.3 Assessment of need and Drivers for Change

The Deloitte Business Strategy Review and the subsequent work undertaken to develop the Target Operating Model identified a number of issues associated with the current implementation of Oracle Financials and iProcurement within the Council. This included:

▪ Users do not have sufficient familiarity of existing Oracle functionality and are therefore not using the system to its maximum potential. This is partly due to inadequate training being provided during implementation and current levels of support being limited.
▪ There are performance problems with the system, with response times being slow.
▪ The nature of the current implementation has resulted in manual interventions and interruptions to what should be streamlined processes.
▪ There is extensive duplication through manual checks being undertaken even when systems checks are available.
▪ There has been no standardisation of approach to the development of business processes and best practice business processes are not in place.
▪ The nature of the implementation means there is only limited information generated automatically by the system.

- Limited access to aspects of the system means that users cannot access the full range of information they require to perform their financial management responsibilities and are heavily dependent on support from Finance and Financial Administration.
- The system is not being used to enhance governance and accountability within the Council.

The issues identified with the current usage of the system are so fundamental that it is considered that a full re-implementation is required i.e. upgrading to a new release of Oracle would not overcome the fundamental weaknesses inherent in the existing business processes.

Based on the desire to overcome the weaknesses inherent within the current implementation, the following drivers for change were identified as being relevant to the upgrade of the Oracle Financials and iProcurement systems:

- Achievement of Value for money.
- Consolidation of activities.
- Standardisation and automation of processes.
- Improved governance and accountability.
- Self help in delivery of services.
- Better quality services for citizens and users.
- Improved efficiency and effectiveness.

These have been taken account of in the development of a new Target Operating Model (TOM) below.

1.2.4 New Target Operating Model (TOM) and Proposed Oracle Module Map

The first of the three key products to be produced in this planning phase is the TOM. This was based on the following key principles:

- Functions are to be streamlined with a common services centre being created which will provide support for all transactional activities.
- Service users are to be responsible for generating purchase requisitions, purchase orders, sales invoices and sales credit notes themselves through the Oracle system.
- The principle of self help will apply and budget holders will be provided with the tools to prepare their own budgets, generate monitoring reports and prepare forecasts.
- IProcurement (iProc) and Oracle Financials are to be used as the key financial systems within the Council. iProc should be used to generate purchase orders, unless it can be demonstrated that it is not appropriate for this purpose.
- Governance and accountability to be improved with greater access to Council approved tenders and suppliers, and automated contract monitoring procedures.
- Processes are to be automated as much as possible with the use of manual documentation and checks eliminated and removal of reliance on excel spreadsheets.

- Workflow technology will be utilised to enhance the communication process.
- Electronic connection to customers and suppliers to be promoted.
- Appropriate training and support to be provided to users during implementation and on an on-going basis.

An overview of the new TOM is included in Figure 2.1 below.

Figure 1.1

Target Operating Model
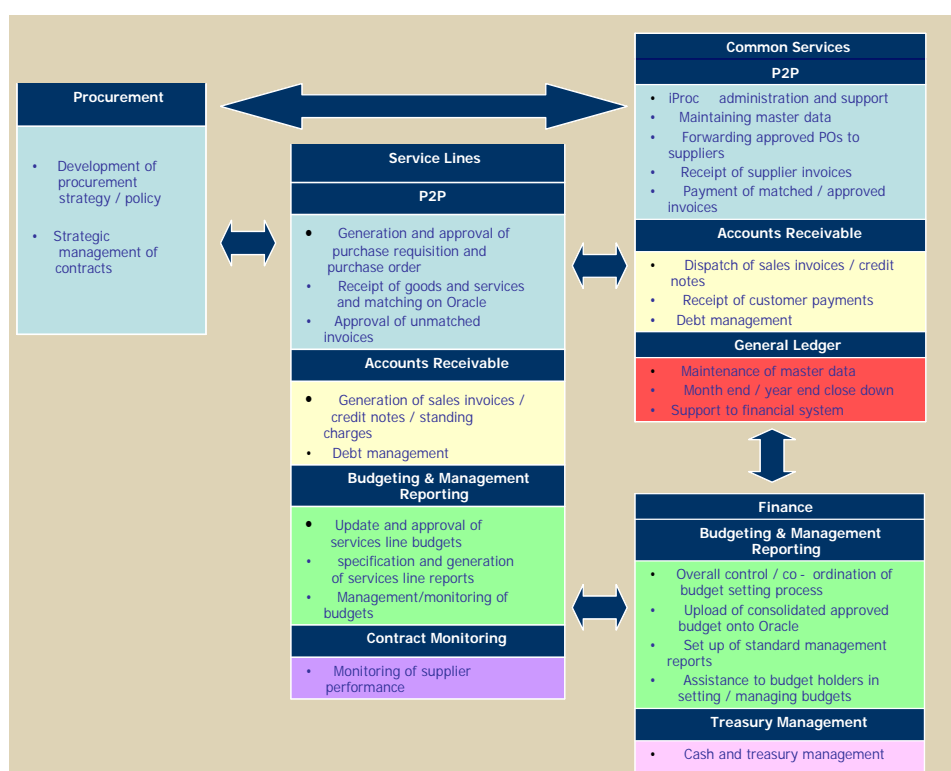
1.2.5 Project Objectives

Objectives in the following areas have been identified for the upgrade of Oracle Financials and iProcurement:

- Improving the quality of service provided to users.
- Improving efficiency by reducing the cost of the transaction processing functions in Finance and Business Administration.
- Improved governance and accountability/compliance
- Standardisation, automation and simplification of processes
- Provide flexibility to meet new organisational arrangements

SMART targets associated with these objectives have been identified.

1.3 Economic Case

This section of the business case identifies the options for the replacement of Oracle Financials (including iProcurement). It addresses both technical options and service delivery options.

1.3.1 Technical Options

There are four technical options for the replacement of the Oracle Financials system (including iProcurement):

- *Option 1 - Do nothing* – Involves Walsall Council continuing to use its current systems, infrastructure and staffing structures to undertake its finance and procurement activities.

- *Option 2 - Re-implement iProcurement and Oracle Financials v11.5.8* – Involves the re-implementation of the existing version of Oracle – release 11.5.8.

- *Option 3 - Implement iProcurement and Oracle Financials v11.5.10.2* – Involves the procurement and implementation of a new release of the Oracle eBusiness suite platform.

- *Option 4 - Implement iProcurement and Oracle Financials r12 -* Involves the procurement and implementation of the latest Oracle platform – release 12.

An analysis of each of these options against the requirements of the project has resulted in, Options 1 and 4 being short-listed. They will be taken forward for detailed financial and non-financial evaluation. The rationale for this is summarised below:

Table 1.1

Short-listing of Technical Options

Option	Rationale	Short-list
Option 1: **Do Nothing**	This option does not meet the requirements of this project or any of the project objectives outlined in Section 4.7, however, in line with Treasury guidance it will be retained as a baseline against which all other options can be evaluated.	Yes
Option 2: **Re-Implement iProcurement and Oracle Financials version 11.5.8**	This option will not be short-listed for the following reasons: • This release of Oracle is now over five years old and a further three versions of Oracle with enhanced functionality have been released in the interim period. The problems being experienced in the current implementation are so fundamental that a full re-implementation will be required, with associated business process re-engineering being undertaken. It is not possible to merely upgrade to the latest release of Oracle.	No

Option	Rationale	Short-list
	Primary support for this version of the Oracle platform expired in November 2007 making support for this version more difficult and more expensive. • This version does not allow for the implementation of the advanced collections module and, as such, does not meet one of the key aspects of functionality required by this project. In addition, the Advanced Global Intercompany System is not available for recording internal trading transactions. • Significant additional functionality is available through Release 12 (see appendix 1).	
Options 3: **Implement iProcurement and Oracle Financials version 11.5.10.2**	This option will not be short-listed for the following reasons: • Primary support for this version of the Oracle platform ends in November 2010 making support for this version more difficult and more expensive. • This would be an intermediary version of Oracle as the Council would be required to move to Release 12 within a few years anyway. • The Advanced Global Intercompany System is not available for recording internal trading transactions, nor is the refunds functionality. • A move to version 11.5.10 now and a subsequent move to Release 12 would mean 2 separate implementations and therefore increased cost and disruption to the Council. • Significant additional functionality is available through Release 12 (see appendix 1).	No
Option 4: **Implement iProcurement and Oracle Financials release 12**	This option will be short-listed for the following reasons: • Option four, the implementation of Oracle Release 12, provides all of the functionality required by the Council and also includes some increased	Yes

Option	Rationale	Short-list
	functionality. • It is based on the latest Oracle technology and has a more user friendly look and feel. • This version, although new now, will be approximately 2 years old by the time the Council implements it; this will allow time for any issues associated with the new technology to be resolved and for the platform to become fully stable.	

1.3.2 Service Delivery Options

The main service delivery options available to the Council for the replacement of the Oracle Financials system (including iProcurement) are outlined below:

▪ *A - On-demand service delivery model -* Involves the Council owning the Oracle licenses and relying on a third party to manage the software, infrastructure and technology on its behalf.

▪ *B - Managed service hardware and operating system support, with internal application support.*

▪ *C - Purchase own hardware, and support and manage internally* – Involves the Council owning, managing and maintaining all the hardware, Operating System and Application set internally.

▪ *D - Purchase own hardware and support and manage internally -* As C above but increasing the level of support Oracle and the hardware vendor is offering.

Options A, B and D were not considered feasible for the following reasons and were therefore not taken forward for short-listing:

▪ The Council has a number of platforms and applications that would still have to be hosted internally by the Council even if an externally managed solution was selected for Oracle Financials. This would lead to duplication of effort and cost.

▪ It is part of the Council's overarching data hosting strategy to manage all its data in-house and not have it managed by a third party.

In summary, the options to be taken forward for further analysis and consideration are;

▪ *Option 1: Do nothing*

▪ *Option 4C: Implement Oracle R12, purchase own hardware and manage internally.*

The remainder of this business case will focus on these two options.

1.4 Monetary costs and benefits

A summary of the monetary costs and benefits of the shortlisted options is included below.

1.4.1 Summary of costs for Option 1 – Do Nothing

Table 1.2

Summary of costs for option 1

Option 1: Do nothing								
Baseline costs	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total**
Baseline staff costs	3,364	6,728	6,728	6,728	6,728	6,728	6,728	**43,732**
Baseline IT costs	659	1,317	647	647	647	647	647	**5,208**
Total baseline	**4,023**	**8,045**	**7,375**	**7,375**	**7,375**	**7,375**	**7,375**	**48,941**
Capital costs								
Migration Costs	0	500						**500**
Hardware & Infrastructure	0	542						**542**
Software Licenses	0	117						**117**
Contingency (General 5% + IT 10%)	0	91						**91**
Total Capital costs	**0**	**1,250**	**0**	**0**	**0**	**0**	**0**	**1,250**
Revenue costs								
HW Support & Maintenance			78	78	78	78	78	**391**
SW Support & Maintenance			25	25	25	25	25	**125**
Additional training			48					**48**
Savings Not Realised								**0**
Interest costs								
Total Revenue costs	**0**	**0**	**151**	**103**	**103**	**103**	**103**	**564**
Subtotal Capital & Revenue costs	**0**	**1,250**	**151**	**103**	**103**	**103**	**103**	**1,813**
Total cost of option over 5 years	**4,023**	**9,295**	**7,525**	**7,478**	**7,478**	**7,478**	**7,478**	**50,754**

Source: Project team

Although this is the 'do nothing' option, there is still an associated cost. Existing contracts for hardware to support the current version of Oracle Financials and iProcurement will run out in 2008/9, so this option requires the purchase and implementation of significant IT infrastructure to replace the current infrastructure.

1.4.2 Summary of costs for Option 4C – Implement Oracle R12 and purchase own hardware and manage internally.

Table 1.3

Summary of costs for option 4c

Option 4c :Own HW / internal support	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Baseline	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total**
Baseline staff costs	3,364	6,728	6,728	6,728	6,728	6,728	6,728	43,732
Baseline IT costs	659	1,317	647	647	647	647	647	5,208
Total baseline	**4,023**	**8,045**	**7,375**	**7,375**	**7,375**	**7,375**	**7,375**	**48,941**
Savings								
Staff efficiencies			531	818	818	818	818	3,802
Non-staff savings (overheads 4%)			21	33	33	33	33	152
Total Savings	**0**	**0**	**553**	**850**	**850**	**850**	**850**	**3,954**
Capital costs								
Implementation team	1,023	1,834						2,857
Hardware & Infrastructure	0	596						596
Software Licenses	0	694						694
Contingency (General 5% + IT 10%)	51	221	0					272
Total Capital costs	**1,074**	**3,346**	**0**	**0**	**0**	**0**	**0**	**4,420**
Revenue costs								
HW Support & Maintenance			101	101	101	101	101	504
SW Support & Maintenance			390	390	390	390	390	1,950
Additional training	10	108	103					220
Redundancy costs			107	72				179
Total Revenue costs	**10**	**108**	**700**	**563**	**491**	**491**	**491**	**2,853**
Subtotal Capital & Revenue costs	**1,084**	**3,454**	**700**	**563**	**491**	**491**	**491**	**7,273**
Total cost of option over 5 years	**5,107**	**11,499**	**7,522**	**7,087**	**7,015**	**7,015**	**7,015**	**52,260**

Source: Project team

This includes costs as follows:

- Implementation costs, including business process re-engineering. This is mainly staff resources, which on the basis of figures provided by the Council assumes that 60% of staff will be internal Council staff.

- Hardware to support R12.

- Additional software licenses required to meet the new target operating model (mainly additional licenses for iProc and for a more sophisticated budgeting and reporting tool).

- Training on the new system.

- Appropriate on-going support to users.

1.4.3 Summary of Efficiencies for Option 4C

The Council has identified efficiencies associated with the new TOM to be applied within Finance, Financial Administration and Procurement functions:

- In total, savings of £818k per annum are anticipated by 20011/12 from improved business processes.

- It is estimated that further efficiency savings can be gleaned from implementation of R12 which will contribute to the existing savings target for the Procurement Department of £4.9m by 2010/11. These efficiencies will be realised as a result of the

improved contract management and procure to pay processes which will be enabled by the new system. Due to the lack of baseline data a target for financial savings has not been set at this stage, but the baseline will be identified in April 2010 following the implementation of the new system and an additional savings target agreed at this time.

1.5 Non-monetary costs and benefits

The following high level non-monetary factors have been identified as having an impact on the options:

- Improved standardisation of operating processes.

- Improved standardisation of management reporting.

- More widespread use of the iProcurement solution.

- Increased percentage of invoices that can be matched to a purchase order.

- Reduced time to process both AR and AP invoices.

- Reduced time to authorise and approve invoices.

- Improved commitment recording.

- Reduced days required to close the accounting period and prepare management reports.

- Reduced time to carry out the budgeting cycle.

- Enhanced system capability to assist with budgeting process (e.g. improved scenario planning).

- Improved access to more up to date budgeting information for budget holders and service managers.

- Improved information and access to information.

- Improved compliance with procurement procedures (reduced "off-contract" ordering).

Option 4C delivers the capability to realise the benefits identified above – Option 1 'do nothing' does not. Option 4C would therefore represent the most suitable option for the Council in terms of non-monetary benefits.

1.6 Assessment of Risks

A list of project risks has been identified. The likelihood of each of these risks arising and the impact should they come to fruition was assessed at a workshop attended by Council representatives nominated by the Project Board. Both likelihood and impact were scored out of five, giving a maximum combined score of 25. The Council's assessment of the combined likelihood and impact is summarised in the table below, together with the proposed mitigation strategy for those scoring 15 or above.

Table 1.4

Analysis of Risk

Risk	Description	Score	Mitigation Strategy
1	Non-compliance of users with new operating model – e.g. non compliance with new processes or full functionality of system (iProc use does not increase)	20	Ensure adequate communication and training in relation to target operating model Communicate that efficiencies are linked to compliance Put appropriate compliance monitoring in place Ensure there is an appropriate enforcement mechanism for non-compliance
2	Business managers continue to reply upon Finance dept support for budget monitoring and do not take responsibility for their own monitoring	20	Ensure adequate training is given to business managers and finance Ensure that roles and responsibilities of business managers and finance are made clear and well communicated Ensure accountability is well communicated
3	Incorrect or insufficient resources allocated to the project	16	Clearly identify, agree and communicate Investment decision Secure support from senior management
4	Key staff are de-motivated due to staff reductions – e.g. managers in Finance and Business Support	16	Communicate impact of project on efficiency targets Engage with stakeholders early Engage with the HR department as early as possible to identify strategies re: redeployment etc
5	Lack of user buy-in to the proposed solution	15	Ensure sufficient training and communication plans are put into place early Ensure management have a mandate for compliance monitoring and enforcement Ensure there is sufficient user and stakeholder engagement Plan and execute appropriate user acceptance testing
6	Lack of senior management buy-	15	Ensure sufficient training and communication plans are put into place

Risk	Description	Score	Mitigation Strategy
	in to the proposed solution		early
			Ensure an appropriate Senior Responsible Officer (SRO) and project board have been selected
			Communicate the link between compliance and efficiencies
			Ensure project benefits are appropriately communicated

Source: Risk workshop

1.7 Discounted Cash Flows

Discounted cash flow models have been prepared for each option. These show that, in monetary terms, option 4C has a 3.7% (£1.69m) higher net present cost than the Do Nothing option over the five year period. However, this does not take into account the £800k+ per annum than will continued to be saved in perpetuity after Year 6 from implementing the TOM

Table 1.5

Summary of discounted cash flows

Option 1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total Cost / Saving	4,023	9,295	7,525	7,478	7,478	7,478	7,478	50,754
Discount factor @ 3.5%	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	
DCF @ 3.5%	4,023	8,980	7,025	6,745	6,516	6,296	6,083	45,668

Option 4 c	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total Cost / Saving	5,107	11,499	7,522	7,087	7,015	7,015	7,015	52,260
Discount factor @ 3.5%	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	
DCF @ 3.5%	5,107	11,110	7,022	6,392	6,113	5,906	5,707	47,357

Source: Deloitte

1.8 Identification of the Preferred Option

Based on the inputs provided and discussions with key stakeholders, the preferred option for the Council, is the implementation of Oracle R12 by purchasing its own hardware and managing and supporting the system internally. Implementing R12 and undertaking all the associated business process re-engineering will result in significant non-financial benefits for the Council as outlined in Section 4.4 below. While implementation of this model results in slightly higher costs than the Do Nothing option over the first five years of the project (3.7%, £1.69m), implementation of the Target Operating Model can result in significant recurrent savings for the Council (£800k+ per annum).

1.9   The Financial Case

The affordability analysis for the preferred option (Option 4c) includes capital already secured for the project of £4m in Year 0 and Year 1 and cover for capital charges of £190k per annum.. It identifies a revenue saving of £523k in year 2 rising to £1.03m from Year 4 onwards. Over the 5 year horizon post implementation used to analyse this project the affordability model identifies a revenue funding surplus of £4.46m.

1.10   The Project Management Case

A number of project management issues are addressed in the following section.

1.10.1   Governance and Management Arrangements

The project will be organised in line with current best practice for public sector organisations, as specified by the Office of Government Commerce (OGC). The project team structure which has been put in place to progress the proposed project is shown overleaf in Figure 1.2. There will also be a cross cutting change management workstream.

The risk of project failure will be addressed via the use of an established project management methodology, such as PRINCE2, and the use of experienced Walsall Council staff, supplemented, where necessary, by appropriate external advisors.

Figure 1.2

Project Governance Arrangements
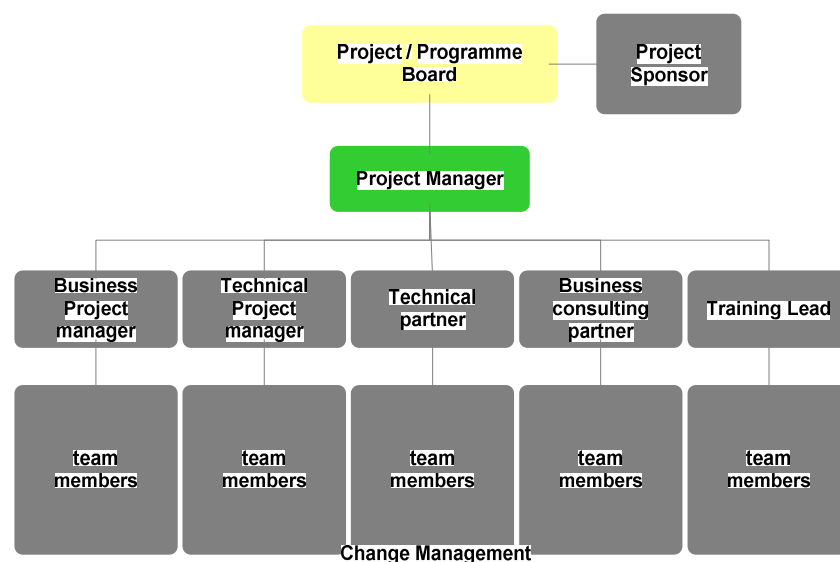
1.10.2 Benefits Realisation Approach

The proposed approach to benefits realisation involves the following stages:

- Setting the baseline.

- Defining benefits.

- Agreeing the benefits realisation strategy.

- Aligning the organisation.

- Measuring benefits and tracking performance.

- Continuous improvement - managing benefits realisation related risks.

These issues need to be addressed during the planning phase of implementation.

1.10.3 Change Management

Failure to manage the change associated with this transformation project could have a catastrophic effect. The change management activities required to ensure effectiveness can be represented in seven distinct components:

- Equality.

- Change.

- Culture and capability.

- Organisation design.

- Human resources.

- Communication and consultation.

- Training.

It is vital that all seven components are integrated with each other, and with the overall project plan, across all phases of the programme. This will be addressed through the change management workstream outlined in the governance arrangements above.

1.10.4 Risk Management Approach

The risk management approach that the project team will use is as follows:

- Risk analysis and management overview.

- Risk identification and documentation.

- Risk analysis and prioritisation.

- Risk mitigation and avoidance.

- Reassessment of risk and revising the Risk Management Plan.

- Agreeing the benefits realisation strategy.

- Aligning the organisation.

- Measuring benefits and tracking performance.

A risk register will be maintained and updated as the project progresses.

A preliminary analysis of risks has been undertaken for this business case.

1.10.5 Implementation Timetable

The figure below represents the high level implementation plan for this project outlining the main phases and associated timescales. This shows that the system will be available for Go-Live by the end of January 2010. However, due to the difficulties associated with implementation partly through a financial year, it is anticipated that Go Live will be April 201o.

Figure 1.3

WMBC Implementation Plan

WMBC Implementation Plan	Oct 08 - Dec 08	Jan 09 - Mar 09	Apr 09 - Jun 09	July 09 - Sept 09	Oct 09 - Dec 09	Jan 10 - Mar 10	Apr 10
Stages of main project							
Procure implementation partner							
Vision and Plan							
Design							
Build & Test							
Deliver							
Post go-live support							
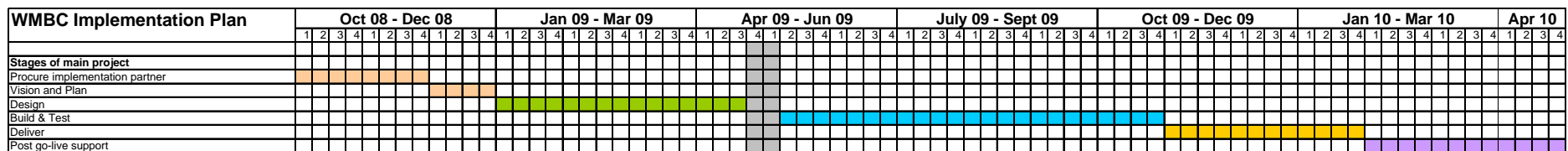
1.10.6   Resources Required

A detailed implementation plan has been worked up by the Council. This shows a requirement for approximately 14 FTE Council staff over the implementation period. Staff to fulfil these requirements are currently being identified by the project team. It should be noted that in order for this project to be successful, staff with the appropriate skills and capabilities will need to be selected for this project. Failure to do so is likely to lead to severe delays and increased costs to the project.

2   INTRODUCTION

2.1   Background

As part of the Council's transformation agenda, an ICT Transformation Strategy was commissioned in the summer of 2006 to look at ways of improving ICT provision at Walsall Council.

One of the recommendations from the Strategy was that the Council address a number of issues around the Oracle Financials and iProcurement systems. These systems are critical to effective financial management within the Council and have been identified as being integral to the wider Council transformation agenda of becoming more efficient and effective. Longstanding issues with functionality, support and future platform direction had been unaddressed for some time. Continuing this situation was untenable and the Council (through the Efficiencies workstream of the Transformation Programme) undertook the Oracle Transformation project.

Deloitte MCS Limited (Deloitte) were commissioned and undertook three initiatives within an Oracle Review Project for the Council. All of the initiatives had a separate focus but were written to complement each other as the outcomes required joint actions and the interdependencies were clear. These initiatives were:

Figure 2.1

Detail of Initiatives
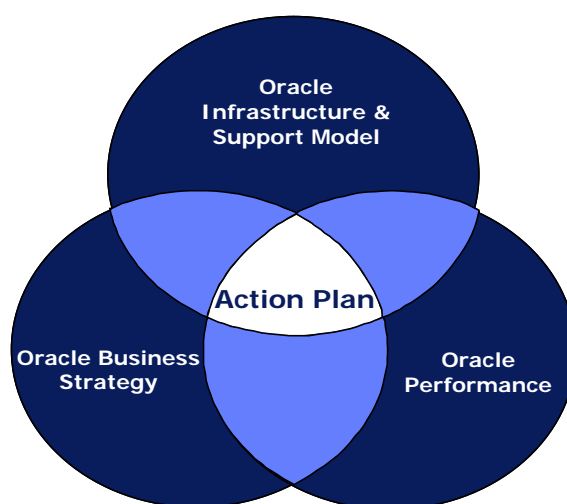
- ▪   *Oracle Business Strategy Review* – the aim of which was to provide an overall picture of how effectively and efficiently Oracle applications are being used by the Council and how they may be used in the future.

- ▪   *Oracle Business Performance and Setup Review* – which looked at the technical underpinnings of the Oracle system and determined which issues needed addressing to improve performance and what has to be done to ensure the system can be used effectively in the future.

- *Oracle Support, Maintenance and Technical Review* – this looked at how the system is supported and maintained, completing the Business Performance and Setup Review by putting the technical issues in a process and business context.

The outcome of the Oracle review project highlighted a number of emerging themes, namely:

- Lack of process engineering in the original implementation.

- Under resourced support model with inadequate processes.

- Inadequate technical infrastructure supporting the solution.

- Poor third party management.

The overall recommendation and way forward required a significant level of change for the Council, including hardware replacement, financials and iProcurement software upgrades, process re-engineering and the re-implementation of CRM. Given this level of change, a detailed planning phase was recommended, to ensure that the way forward (once agreed) is planned, resourced, budgeted and understood correctly. This was to result in the production of three key products:

1) Target Operating Model and Business Vision.

2) Business Case (Oracle specific).

3) Oracle Business Requirements.

This document is the second of these products i.e. the Oracle Business Case.

2.2   Purpose of this Document

This document outlines the compelling need to update the Council's Oracle Financials and iProcurement Systems, the options available in terms of the software to be implemented and available service delivery options, the costs and benefits associated with each short-listed option and the rationale for selection of a preferred option to be taken forward.

In taking forward this review, five separate workstreams were identified as follows:
- Procure to Pay;

- Customer Invoicing and Accounts Receivable;

- Budgeting and Reporting;

- General Ledger Accounting and Treasury Management; and

- ICT Support.

Each of these workstreams has contributed to the development of this Strategic Business Case.

It should be noted that this business case only considers Oracle as a solution to the Council's financial systems requirements as a review of Oracle as the Council's preferred platform for these systems is not within the scope of this review.

In addition, achievement of some of the efficiencies identified within this document arising from the Target Operating Model will be dependent on the quality of financial information supplied by the Council's Social Care Systems. The nature of the Social Care System is outside the scope of this business case.

It should also be noted that the figures and inputs represented in this case have been largely supplied by the Council and reflect the Council's views on the costs and associated attainable benefits.

3 THE STRATEGIC CASE

3.1 Introduction

The context for this Strategic Business Case (SBC) focuses on five aspects:

- The strategic context within which the Council is operating including the fit with wider policy imperatives, relevant strategies and related projects.

- Current operating arrangements for iProcurement and Oracle Financials.

- Need and drivers for change.

- The New Target Operating Model and Proposed Oracle Module Map.

- Project objectives, scope and desired outcomes.

Each of these are considered in more detail below.

3.2 Strategic Context

The need for improved financial and procurement systems in the Council takes place within an overall context of change within Local Authorities and across the wider UK Public Sector, in particular the following strategic initiatives are generating a number of drivers of change as detailed in Table 3.2.1 overleaf.

Table 3.1

Detail of Strategic Initiatives

Strategic Initiative		Drivers for Change

Public Sector Efficiency - Gershon Review
 	
In July 2004 Sir Peter Gershon published the conclusions of his review of public sector efficiency. In particular, this sets out the scope for efficiency identified within the public sector back office, procurement, transaction service and policy making functions. An overall efficiency target of 2.5% savings was set for Departments of which half should be cash releasing.
 	
Drawing on observations of best practice, the Review Team developed a model for back office functions comprising of a corporate core, core expertise and transactional support services. Generic reform maps were developed for Finance, HR and IT back office functions. Using these maps, Departments were asked to develop:
 	
• An effective strategy for reforming the back office through approaches including:
 	
   • Simplification and standardisation of policies and processes.
 	
   • Adoption of best practice within each function.
 	
   • Sharing transactional support services to achieve economies of scale through clustering with other central government bodies.
		▪ Better value for money in the delivery of public services.
		
		▪ Improved process efficiency and effectiveness.
		
		▪ Standardisation of software solutions and operating platforms.
		
		▪ Consolidation of high volume activities.

Strategic Initiative		Drivers for Change
• A benefits realisation plan to ensure that the reform plan was fully achieved, that costs were driven out as quickly as possible and that reformed back office functions were both efficient and effective. In considering the role of Finance, Sir Peter recommended that: ▪ All Finance Information Systems should be standardised on an up to date platform (e.g. Oracle). ▪ Expertise based activities (e.g. management accountancy) should be consolidated. ▪ High volume transactional activities (e.g. Accounts Payable) should be consolidated into shared services centres. ▪ Processes should be redesigned to exploit self service (e.g. purchase order authorisation). Sir Peter also emphasised the importance of strong financial management for efficient use of resources and as a pre-requisite to the successful delivery of major efficiency programmes.		
Local Government Efficiency - 2007 Pre Budget Report and Comprehensive Spending Review This report presents forecasts for the economy, public finances, and sets out the government's priorities and spending plans from 2008-2011. Within the report there are 30 main priority areas for government to improve.		▪ Value for money in the delivery of public services. ▪ Improved service delivery arrangements with a focus on front-line services. ▪ Improved process efficiency and effectiveness.

Strategic Initiative		Drivers for Change
The improvements outlined in the document include driving better value for money from public spending and taking forward the next stage in public service reform by empowering users and front line professionals to shape services. This report outlines how public services' goals are to deliver excellent personal experiences for all. The report identifies a need for better value for money from the increased public spending, with a need to: • Deliver 3% net cash releasing value for money savings per year across central and local government, a total annual saving of £30 billion. • Reduce administrative budgets by 5% a year in real terms across departments. • Release £30 billion from fixed asset disposals between 2004/5 and 2010/11. Specific requirements have been outlined for each area of government and Local Government have been set on-going efficiency savings targets for the next three years which are to deliver 3% net cash releasing value for money gains each year. 57% of these gains should be achieved through smarter procurement, 36% through business process improvements and collaboration initiatives and the remainder through better asset management. In addition, the report notes that performance management in Local Government will be streamlined through use of a single set of 198 performance indicators for all outcomes that local government delivers.		

Strategic Initiative		Drivers for Change
Customer Service - Varney Report (December 2006) In December 2006, Sir David Varney published his report ***"A Better Service for Citizens and Businesses, a Better Deal for the Tax Payer"*** This identifies the direction and outcomes required by government to create a 'world class service economy' through changing the way we deliver services through shared services opportunities, engaging citizens and businesses more fully in the design and delivery of public services, establishing a robust and transparent performance management and governance framework, and further improving on the operation of government e-services, contact centres and face to face services.		- Better quality of services for citizens. - Improved governance and accountability. - Improved process efficiency and effectiveness. - Linking spending to outcomes.
Comprehensive Area Assessment From April 2009, Comprehensive Areas Assessment (CAA) will replace Comprehensive Performance (CPA) in Local Government. This marks a significant change to the current performance regime and will look at public services in an area delivered by councils and their partners including the private and voluntary sectors. CAA will provide assurance about how well run local public services are and how efficiently they use tax-payers money, but it also aims to be more relevant to local people by focusing on issues that are important to their community. It will develop a shared view about the challenges facing an area and will create a more proportionate approach to public service regulation.		- Better quality of services for citizens. - Development of one-stop services. - Improved processes and enhanced efficiency in the delivery of services. - Achievement of value for money in the use of public resources.

3.2.1 Strategic Transformation within Walsall Council

It has been recognised that in order to deliver the Government's objectives outlined above and the Council's Strategic Vision for 2008 and on to 2021, the Council needs to transform the way it delivers services, interacts with the community and partners, and it's own processes and infrastructure. This is a broad but compelling agenda which will continue to evolve. Success will be measured by both the tangible and less tangible - a mix of financial savings, performance improvement and process efficiency, but also improved engagement with the community, continuing inward investment for the borough and transforming the way in which services are delivered. Transformation will have to be embedded in every service team to ensure Walsall's Vision for the future lives and breathes at every level of the organisation.

The Strategic Transformation programme has been built to develop a 'whole council' approach to service transformation which places service users and residents firmly at the heart of plans to improve services, deliver efficiency savings and continue Walsall on the path to excellence. The programme also recognises that the internal support infrastructure is equally important and that improved working practices, the realignment of resources and removal of bureaucracy are essential aspects of an efficient and cost effective service.

Financial challenges facing the Authority also mean that benefits realisation (particularly cashable savings and efficiencies) are essential to either mitigate budget pressures in frontline services or be used to invest in the programme to fund further change activities. A target in excess of £2million has been set for 2008/9 from procurement savings alone. Some notional figures around post rationalisation from improving Oracle have also been set into the medium term budget for both Business Support and Finance services.

The overarching Transformation Programme is structured around three key themes:

The Efficiencies Theme – contains a series of projects that will focus specifically upon improving the way the Council works and delivers efficiency savings. The following projects have already been identified:

- *Procurement Transformation* - this project will create a new, robust, procurement model and infrastructure that will deliver savings in purchasing and commissioning.

- *Model Office* - this project is designed to make optimum use of office space and is being trialled in the HRD area.

- *Business Support Transformation* - a comprehensive review of business support is in progress in order to create a consolidated service where economies of scale can be realised. Additionally, this project will, through an activity audit of all current business support processes, develop new streamlined business support functions that remove areas of duplication, inefficiency and redundancy. This includes financial administration, general clerical and admin support, PA and Secretarial services.

- *Corporate Property Strategy* - this project will undertake a fundamental strategic review of the use of council accommodation in order to identify the most appropriate locations from which services should be delivered and how the existing accommodation may be better utilised.

- *Mobile working* - this project will focus upon the piloting and development of a mobile working strategy that identifies a portfolio of technologies and service delivery methodologies to facilitate the delivery of services 'on the move'.

Customer Experience Theme – the overall aim of this theme is to improve the customer's experience of Council services and to change the culture and thinking in respect of the approach and techniques for customer management to ensure customers experience improved services and that satisfaction ratings improve as a consequence. The programme is comprised of the following projects:

- *Improving the Customer Experience (ICE)* - the ICE framework will consist of 10 key 'building blocks 'which will be used as the basis to shape service provision.

- *Corporate Contact Centre* - this project is designed to focus upon bringing together the existing call handling facilities across the Council into a single service.

- *Knowledge Management* - this project will focus upon the development and use of knowledge management facilities and will ensure that staff have easy and speedy access to information.

- *Portal Development* - this project will develop portal 'self-help' facilities for citizens, members, employees.

- *HRD Direct* - the HRD direct portal has been developed internally to provide self service access to HR facilities to staff and councillors throughout the Council.

- *E-Democracy* - this sub-project will investigate ways of building electronic democracy facilities into all aspects of service delivery with the objective of improving the Council's consultation processes.

- *Web Development* - an improved Council intranet site has been developed enabling easier access to information. A web strategy has also been produced to enable the speedy updating of web based information. A content management system is now in operation providing access to a network of trained content editors across the Council who can maintain service related information.

Adults Social Care Theme – the overall aim of this theme is to address key priorities relating to the modernisation of social care services to adults and the delivery of better outcomes for service users. The production of the programme plan is work in progress but is likely to include the following projects:

- *Business transactions* – the development and roll out of the Paris social care IT system and other associated systems in order to assist effective operational service delivery.

- *Re-provision* – the implementation of Extra Care Housing in re-providing for elderly care service provision across the borough.

- *Domiciliary Care* – the re-tendering of domiciliary care services.

- *Community Meals* – the implementation of the community meals contract which went live on 7th January 2008 and development of the new service.

- *Contract Monitoring* – enhancements to contract monitoring arrangements for externally procured services.

- *Day Care Services* - modernisation of facilities moving away from large day centre services to more localised bases which will facilitate community integration.

- *OT Services* - process improvements which will improve 'preventative measures' and reduce the additional costs of residential care.

- *Residential and Nursing Care* - improvements to contracting arrangements in order to reduce costs.

- *Assistive Technology* - an 'invest to save' project which will enable effective low cost care facilities to be provided in domestic dwellings as a preventative measure to residential care.

- *Transport Procurement* – a joint project with Children's Services to streamline procurement activities associated with transport services.

3.2.2 Summary of Strategic Context

The strategic context above illustrates that at both a national and local level initiatives are underway which are designed to improve service delivery for customers, remove duplication and bureaucracy within the system, making processes more efficient, improving governance and accountability and enhancing value for money in the delivery of public services. In taking this forward, there is an emphasis on self service i.e. providing systems for Council employees to access information themselves.

These principles will underpin any changes arising from the options for development of finance and procurement services outlined within this business case.

3.3   Current Operating Arrangements for iProcurement and Oracle Financials

3.3.1   Introduction

In the following sections we have detailed the current operating arrangements for iProcurement and Oracle Financials within the Council.

3.3.2   Walsall Council Organisational Structures

The overall organisational structure for the Council is illustrated in Figure 3.1 below.

Figure 3.1

Current Organisational Arrangements
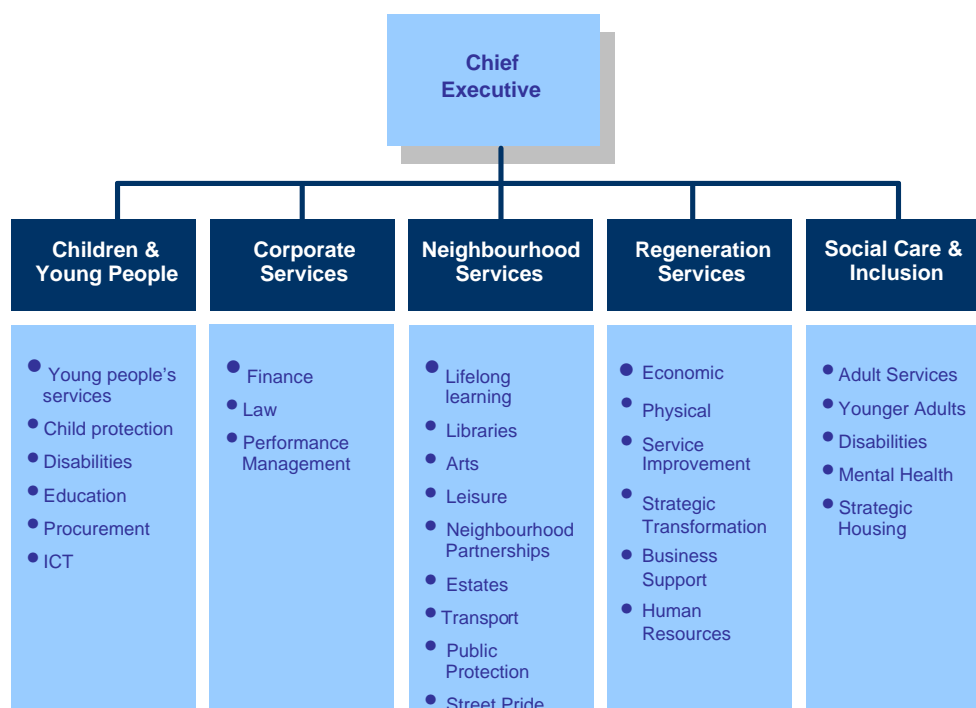
Three of the services units outlined above currently perform key roles in relation to procurement, purchasing and financial management; these are Finance, Business Support and Corporate Procurement.   Services provided include the following:

Finance Department

▪ Maintenance of master data on iProc and Oracle Financials including the general ledger chart of accounts, and master data for sub-ledgers including set up of new suppliers, customers etc.

▪ Processing supplier payments by BACS and cheque.

- Processing all receipts and managing the Income Management Process.

- Reviewing daily cash reports for potential overpayments and raising proforma invoices, as required, to correct overpayments identified.

- Processing credit memos where these apply to multiple invoices.

- Reviewing aged debt reports and managing the debt recovery process.

- Raising orders and processing journals in respect of internal trading.

- Performing month end close down of general ledger and associated sub-ledgers and managing interfaces from external systems.

- System support to Oracle Financials.

- Assisting budget holders with the preparation of budgets and ongoing monitoring of these budgets, including monthly reporting.

Business Support (Financial Administration)

- Input of approved purchase requisitions forwarded by service users onto the Oracle iProc system.

- Generation of purchase orders and forwarding to suppliers.

- Where goods are received directly by Business Support, receipting the goods on the system.

- Obtaining appropriate approval of invoices received within Business Support or by service users and making arrangements to enable payment.

- Raising and distributing sales invoices and credit notes based on requests received from service users.

- Raising standing charges based on requests received from service users.

Corporate Procurement

The Corporate Procurement Department provides a key support role in respect of strategic corporate procurement, tendering of council wide contracts and also provides training and support to users on iProc.

Service Users

Service Users also undertake a number of functions in respect of procurement/purchasing and financial management. These are as follows:

- Development of procurement strategy, policy and procedures in line with guidelines issued by corporate procurement.

- Negotiating and managing contracts.

- Monitoring contracts.

- Generation and approval of purchase requisitions (both manual requisitions and iProc requisitions) and forwarding to Suppliers.

- Receiving goods and services and receipting on iProc.

- Receipt and approval of invoices.

- Generation of internal trading requisitions.

- Preparation and processing of journals to enable payment for internal trading.

- Generation of manual requests for sales invoices/credit notes and forwarding to Financial Administration for creation.

- Receipt of customer payments.

- Debt management.

- Input to preparation of service line budgets which are currently prepared on Excel by Finance staff.

- Monitoring of budgets once management reports have been prepared by Finance.

A summary of the functions performed by each of the parties indicated above is included in Figure 3.2 Current Organisational Arrangements overleaf.

Figure 3.2
Current Organisational Arrangements

| Key Task	Central Finance	Finance Managers (Service Line)	Financial Admin	Corporate Procurement	Service Lines
Procure to Pay					
Development of procurement strategy, policy and procedures				●	●
Negotiating and Managing Contracts				●	●
Monitoring Contracts				●	●
Creating and Maintaining Supplier Catalogues				●	
iProc Administration				●	
Vendor Management - generating requsts for change to master data					●
Vendor Management - processing of changes to master data requests	●				
Generation and approval of Purchase Requisiitons on iProc					●
Generation of Manual Purchase Requisitions					●
Input of Manual Purchase Requisitions onto iProc			●		
Generattion of approved iProc Purchase Orders and Management of Requisition Pool				●	
Forwarding of approved iProc Purchase Orders to suppliers			●		●
Generation of Manual Purchase Orders and Forwarding to Suppliers					●
Creation of invoices and payments in AR re overpayments by customers			●		
Receive Goods and Services and Receipt on iProc					●
Receipt and Approval of Invoices			●		●
Payment of Suppliers	●		●		
Generation of Internal Trading Requisiiton					●
Generation of Internal Orders (manual) and forwarding to internal supplier			●		
Preparation and Processing of Journals to enable payment for Internal Trading			●		●
Accounts Receivable					
Generation of manual request for credit note/sales invoice/standing charges					●
Generation of invoice/credit note/standing charges in Oracle Financials and dispatch to cutomers			●		
Generation of credit notes applying to multiple invoices	●				
Raising pro-forma invoices re overpayments by customers and reversal of overpayments once corrected	●				
Receipt of customer payments and forwarding to Banking Hall			●		●
Management and interfacing of IMP system re customer income to Oracle Financials	●				
Review of Aged Debtors and Management of Old Debts	●		●		●
Customer Management - generation of requests to set up new customers			●		
Customer Management - generation of requests to set up new transaction types			●		
Customer Management - processing requests to set up new customers/new transaction types	●				
Generation of Internal Orders (manual) and forwarding to internal supplier			●		
Preparation and Processing of Journals to enable payment for Internal Trading			●		
Budgeting and Management Reporting					
Establishment of Corporate Parameters for Budget Setting process	●				
Preparation of Draft Service Line Budgets (Excel based)		●			●
Upload of Service Line Budgets onto Oracle and Validation Against Cash Limits	●				
Compliation of Budget Monitoring Schedule	●				
Notification of Month-end Close Down and Running of Standard Oracle Reports	●				
Preparation of Service Line Specific Management Information Reports		●			
Monitoring of Budgets					●
Preparation of Budget Virement Requests		●			
Upload of Budget Virement Requests onto Oracle (Inter and Intra Service Line)	●	●			
General Ledger					
Maintenance of Chart of Accounts	●				
Generation of New Code/Close Code Requests			●		●
Closure of Accounts Receivable Sub-ledger	●				
Closure of Accounts Payable Sub-ledger	●				
Input of Payroll information to Oracle GL	●				
Input of all other postings/journals to Oracle GL	●		●		
Systems Support and Maintenance	●				
Final Accounts Preparation	●				
Treasury Management					
Treasury Management	●				
Other					
Business Unit Management	●	●	●	●	●
Support to Corporate IT Systems	●				

Figure 3.2 indicates that there is a significant degree of duplication in terms of the tasks undertaken by service lines, Corporate Procurement, Finance and Financial Administration. In addition, it should be noted that the organisational arrangements differ between business units throughout the Council, depending on the degree of use of Oracle within individual business units. These are issues that are addressed by the Target Operating Model outlined in Section 3.6 below.

3.3.3 Oracle Module Map for the Council

Service users and staff within Corporate Procurement, Finance and Financial Administration are assisted in their tasks by access to the Oracle Financials and iProcurement systems. Figure 3.3 below contains an Oracle module map, which outlines the understood module set currently used by the Council and the integration points both internal and external to the Oracle application set.

Figure 3.3
Oracle Module Map As Is
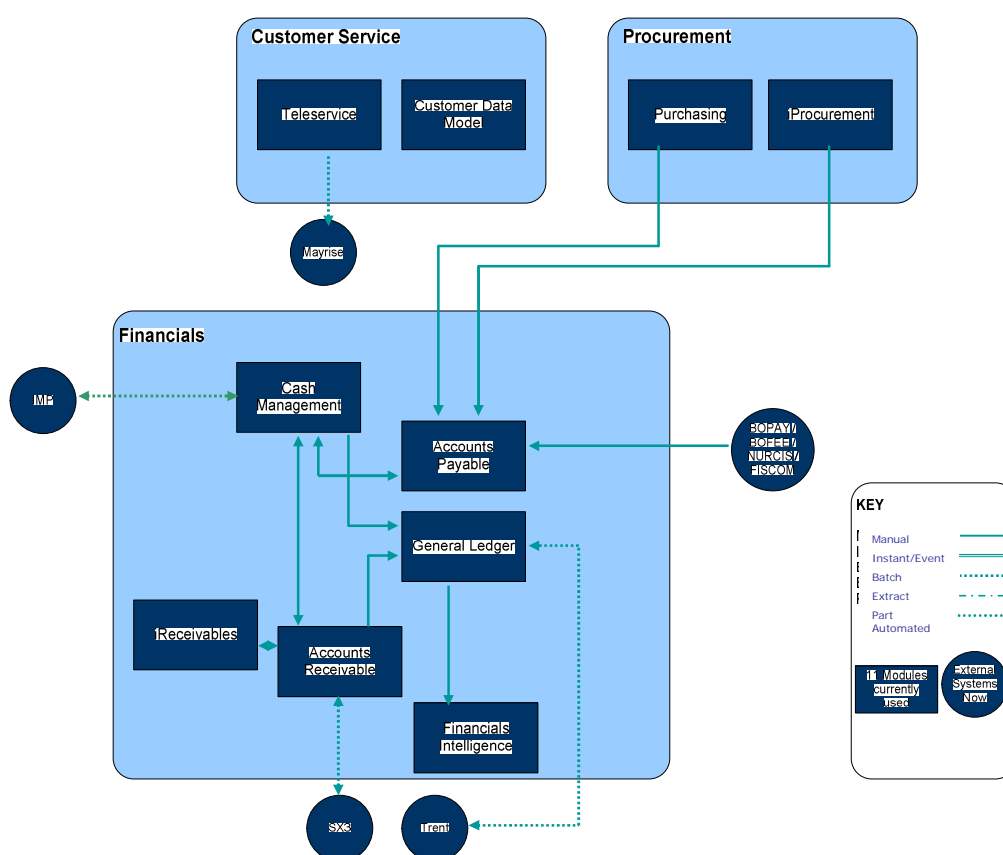
All Oracle applications are built on the Oracle Information Architecture, which offers a single source of financial and management data for reporting, ad-hoc inquiry, and performance analysis.

The Oracle **Financials** module stands in the centre of the picture since it contains the General Ledger module as the backbone of the Oracle applications, receiving data from sub ledgers.

Oracle **Purchasing,** Sourcing, iProcurement, Procurement Contracts, iSupplier Portal and Supplier Network Applications are structured in the Oracle Advanced Procurement Suite, which automates whole procure to

pay processes. Purchase order data is interfaced to Oracle Accounts Payable module through Oracle Purchasing module.

Oracle **Customer Service** is built on a separate instance to financials and procurement, with no integration touchpoints between the two systems. Oracle CRM is run on the LG 45 version of Oracle, which does however have an Oracle tailored Trading Community Architecture (TCA), which all Oracle applications solutions are based upon. If it was on the same instance as Financials and iProcurement, data could be shared through the TCA.

Outside of Oracle's internal integration, information from other systems is interfaced as follows:

- Council Tax and Business Rates income is interfaced from the Northgate (SX3) System.

- Payroll information is interfaced from the Trent HR and Payroll system.

- Income received via till systems, Post Office, electronic paypoints, Banking Hall, Bailiffs etc is interfaced via the IMP System.

- Payments and income in respect of Social Care Services are interfaced from various bespoke systems including NURCIS, FISCOM and BOPAY / BOFEE.

3.3.4 Current Implementation of Oracle Financials

The Council is currently using the full financials module set and is currently on version 11.5.8 of Oracle Financials, which is licensed for 300 application users.

The system implementation began in 2003/4 and was implemented by Fujitsu Services at a cost of approximately £1.2 million. The system's first release went live in August 2004. One of the key drivers for the Oracle implementation was the decommissioning of the ICL mainframe and the legacy LAFIS system was deemed to be obsolete.

The current solution comprises of:

- Financial Modules; - currently used are Cash Management, Accounts Payable, Accounts Receivables and General Ledger.

- Reporting Needs; - currently are met with some standard reports and through Discoverer reporting tool.

- Oracle Asset Module for fixed assets; - is not used by the Council and currently they are in the procurement process for a system that will meet the specific needs relating to asset management.

3.3.5 Current Implementation of iProcurement

The Council is currently using iProcurement (i-proc) and purchasing (PO) modules. It has an 11.5.8 version of Oracle Applications License for 200,000 Purchase requisition lines and 5 PO users.

The existing procurement modules are being utilised to provide:

- an electronic means by which to create requisitions for the acquisition of goods and services.

- a mechanism to record contracts negotiated by the Council that can be called against when creating requisitions.

- supplier catalogues for a small number of goods that can be entered onto requisitions.

- a hierarchy to enable approval of purchase requisitions.

- a mechanism to record the receipt of goods and services to enable approved payment of supplier invoices.

The procurement implementation has approximately 800 current requisitioners who create requisitions which are then approved and created into a purchase order to be sent to the supplier.

The requisitioners will then create a receipt on the system for the goods and services upon receipt of the goods or completion of the services. When the invoice is received by the requisitioners, it is stamped with approval and sent to the payables central function for payment.

Currently there are areas of the Council that do not use the procurement system for various reasons and it is the aim of the procurement team to eventually rollout a truly devolved requisitioning process to all business areas. This would add approximately another 400 requisitioners.

3.3.6 Resources Utilised

Resources used in the delivery of finance, purchasing and procurement services and the costs associated with these resources are summarised in Table 3.1 Resources Used in the Delivery of Finance and Procurement Services overleaf.

Table 3.2
Resources Used in the Delivery of Finance and Procurement Services

	FTE			Cost £		
	Business Support	**Finance**	**Procurement**	**Business Support**	**Finance**	**Procurement**
Business Unit Management	4.00	3.65	2.10	186,621	259,227	125,022
Accounts Receivable	32.45	4.82		727,811	126,417	
Procure to Pay	37.23	3.89		851,901	94,656	
Budget Setting		13.33			469,937	
Budget Monitoring and Management Reporting		17.16			556,573	
Oracle Financials/iProcurement/Social Care Systems Support	3.00	2.74	1.02	76,393	97,248	47,493
Final Accounts Preparation		11.49			413,103	
Treasury Management		4.31			137,715	
Other General Ledger		5.69			178,223	
Other Finance Activities	17.04	17.43		437,730	624,696	
Procurement Strategy			1.30			55,833
Negotiating and Managing Contracts			6.04			218,785
Creating and Maintaining Contracts			4.14			149,110
Other procurement activities			1.40			51,305

	FTE			Cost £		
	Business Support	**Finance**	**Procurement**	**Business Support**	**Finance**	**Procurement**
Service-line Procurement Activities			16.03			408,335
Admin – Children	4.00			61,627		
Admin – Social care and inclusion	10.00			213,473		
Total	**107.72**	**84.51**	**32.03**	**2,555,556**	**2,957,795**	**1,055,883**
Overheads @ 4%				**92,903**	**118,312**	**42,235**
Total Resources/Costs	**107.72**	**84.51**	**32.03**	**2,648,459**	**3,076,107**	**1,098,118**

Table 3.1 indicates that a total of 224.26 FTE's are involved in delivering financial and procurement services at cost of £6.8m per annum.

It should be noted that the costs for service line procurement activities and Social Care and Children's administrative functions are estimates only, as these functions only form a small part of a large number of individuals' responsibilities.

3.4   Assessment of Need

The Deloitte Business Strategy Review and the subsequent work undertaken to develop the Target Operating Model for Finance, Procurement and Purchasing services in the Council identified a number of issues associated with the current implementation of Oracle Financials and iProcurement. These are summarised below.

3.4.1   Issues Associated With Implementation of Oracle Financials

There are low usage rates of the Financials solution and a perception among users regarding its difficulty to handle certain aspects when compared to the old LAFIS system. Particular issues can be summarised as follows:

GENERAL

▪   Users do not have sufficient familiarity of existing Oracle functionality – there are no formal training facilities in place to inform users of standard features that can be utilised to support business processes. One issue that was consistently raised by users during the consultation process was the perceived inadequacy of user training during the implementation process and since implementation.

▪   Inconsistent applications support due to inadequate functional/technical resources in the Oracle Support Team - users require immediate response from the support team to functional or technical queries raised. Poor communication channels between users and the support team and unavailable resources within the support team prevent users from receiving a timely response.

▪   Performance problems with applications - the system is deemed to be too slow, especially while running reports and transaction enquires.

▪   Manual interventions and interruptions of what should be streamlined processes – disconnections between the business and system processes are resulting in outstanding data entries and/or unmatched transactions e.g. Auto invoice not being run and receipts for ordered items are not being followed-up.

▪   In many cases manual documentation is being retained and checks are being made on manual documentation when computer checks are available. This is causing duplication of effort.

▪   No standard approach has been used to develop business processes - there are no standardised business processes that reflect best practices and methods and no correlation between business processes and use of system functionality for daily operations.

REPORTING & ANALYSIS

▪   The system does not generate easily calculable best-value indicators – there are various indictors that would be useful to the Council to analyse efficiency as well as spend e.g. number of invoices processed in one month by one user.

- Reporting issues - lack of access to, and limited resources to develop reports are making statutory KPI measurement (such as BV8) difficult and time consuming to measure. Users are not fully aware of the existing standard reports.

- Difficulty with transaction and account balance enquiries due to limited availability of the "Drill Down" functionality in forms and/or reports – results in a low use and acceptance of the application and an inability to interrogate data.

- Data mining capabilities are not exploited – the Council has difficulty in analysing what is spent on which commodity and by whom. Currently the Council cannot analyse directly or indirectly attributable costs to an individual Ward. We understand that retrospective analysis can be provided to the Council through Spikes Cavell.

GENERAL LEDGER

- There is no use of workflow for new code requests or set up of debtor/creditor accounts.

- Journal approvals seem to slow down the accounting process - extensive access to journal creation functionality and use of this functionality to process transactions associated with internal trading is contributing to the lengthy month-end close down timetable.

- Unbalanced journal entries - the system allows users to generate and post unbalanced journal entries which results in inaccuracy on the system. This is caused by the inter-department trading activities and journal creation process allowing unbalanced journals until all departments have entered their data.

- Incompatibility between Trent and Oracle coding structures – this leads to significant effort being utilised in matching accounting entries between the systems.

- Month end process is lengthy – the month end process is drawn out and the finance team would like to reduce this to a more acceptable level. Posting to the general ledger is being used to identify errors, resulting in numerous close downs of sub-ledgers prior to final close down. This contributes to the lengthy month-end process.

- Lack of reconciliation between sub-ledgers and General Ledger (GL) – an out of balance reconciliation of the GL control accounts back to the sub-ledger trial balances are a consequence of inadequate reviews taking place throughout the month and at month-end. A complete review would highlight areas such as improper period end processing, incomplete business processes in sub-ledgers, unmatched items (e.g. POs and invoices) and unaccounted transactions that prevent the GL and sub-ledgers reconciling.

- Fixed Asset information is only journaled in to Oracle at the year end meaning that the financial information in the system is not completely up to date for the remainder of the year.

BUDGETING

▪ All budget preparation work is undertaken outside the Oracle system, with budgets not always being developed at cost centre and cost code level. Budget profiles are not always based on the most appropriate mechanism and despite budgets being prepared on a three year rolling basis only one year's budgetary information is uploaded to Oracle.

▪ The budget approval process is manually driven thus resulting in delays in the process and inefficient governance procedures being in place.

▪ Management reporting is not standardised and is, in the main, not done through the Oracle system.

▪ Budget Holders are not self-sufficient in obtaining information to manage their cost centres independently – there are various reasons for this including:

- on-line access to management reporting is not currently available to a significant number of budget holders.

- transactional information entered into the system is not clear and understandable to non-accountants.

- uploading of budgets through ADI is not working as expected.

- functionality relating to drill-down facilities to detailed transactions is not understood (or in the case of payroll, available).

- information in the system is not complete and easily obtainable on a timely basis.

- budget holders do not have sufficient knowledge relating to interpretation of information.

- accruals and prepayments are only taken account of at year end.

- assumptions required for forecasting are not built into the system resulting in the need to extract information from Oracle into excel where various assumptions are applied prior to generation of forecasts.

PAYABLES

▪ Invoices are not forwarded to a central receipting point by suppliers, rather they are received by numerous business units within the Council.

▪ Inefficient use of procurement and payables modules - a number of invoices are received into the accounts payable team and not fully matched to purchase orders for various reasons. The result being purchase orders are not being closed, and commitments and

receiving accruals are not being cleared. Tolerance levels on the system are also perceived to be too narrow.

- Where invoices have been matched to purchase orders and goods received notes a manual approval stamp must still be completed by the budget holder prior to invoice payment, causing duplication in the system.

- Duplicate data records - duplicate supplier records and invoices are created on the system. This results from an inconsistent method for dealing with supplier invoice numbers that are not unique, no standard process for creating supplier accounts and checking for existing accounts, and unclear roles and duties across the accounting team including staff outside the central payables team entering invoices.

- Limited use of catalogues on the system.

- Excessive use of paper by the payables team – no use of electronic document functionality is utilised such as receiving electronic invoices from suppliers, and electronic payments and remittances sent to suppliers.

RECEIVABLES
- The receivables process is manually driven with widespread use of manual forms and no workflow processes.

- There is duplication in the process whereby service users complete manual request forms for invoices/credit notes which then have to be entered into Oracle by Financial Administration. In addition, Financial Administration are having to compile spreadsheets detailing invoices raised because some service users do not have access to the Oracle AR system.

- Debt collection timelines are too long and processes are inefficient – the time to collect overdue debt can be lengthy and the system functionality is not being exploited to improve efficiencies and use it as an aid to supply accurate and relevant data. A non-Oracle system is being used to manage the legal process once formal debt collection processes have been instigated and service users do not have access to this system.

- Credit Card Payment features is not fully configured and not available to the users.

- There is limited use of the standing charges functionality (for recurrent invoices) within Oracle due to issues with the original implementation.

- Where overpayments are identified, a labour intensive manual process is used to make corrections via proforma invoices.

- Journals are being used to make adjustments for internal trading with no entries being made in the sub-ledgers. This is slowing down the month-end close processes.

CASH MANAGEMENT

- Managing bank reconciliations and cash forecasting is a cumbersome task for the Council due to cash management functionality not being implemented – currently this is mostly performed off line.

- Investments are manually monitored through maintenance of paper diaries and excel spreadsheets.

CONTRACT MONITORING

- Contract monitoring arrangements tend to be ad hoc in nature with no formal systems currently being used to undertake this process.

- Responsibility for contract monitoring is not clearly defined within the Council, resulting in this activity not being undertaken consistently across the organisation.

- Where contract monitoring activities are undertaken, they are currently resource intensive.

- There is no facility for storing standard contract terms/templates for use across the organisation, based on best practice.

- There is no facility for managing tendering exercises/quotations electronically.

- There are no facilities for electronic management of contracts thus facilitating on-line contract negotiation, update and performance monitoring.

- There is no automatic notification of the need for contract review.

- There is no mechanism for automatically suspending trading activities with a non-performing contractor.

ASSETS

- There are no links to an asset management system to correctly identify financial transactions and values – this makes it difficult to accurately identify financial costs such as depreciation.

3.4.2 Issues Associated With Implementation of iProcurement

The Council is facing many issues with the existing Oracle procurement implementation, some of which are listed below:

- The Central Procurement Team needed to support the system administration function – the procurement team is required to support the system administration function such as making changes to user accounts, either to add or amend accounts to allow users to access i-proc. Currently there are over 300 outstanding requests which the team is having difficulty keeping up to date with.

- Insufficient training capabilities for new requisitioners – there is no formal training for new requisitioners and the procurement team is required to develop and deliver this. One issue that was consistently raised by users during the consultation process was the perceived inadequacy of user training during the implementation process and since implementation.

- Insufficient user knowledge of the procurement process and system outside the central procurement team – there are no super users in the directorates and a large portion of the procurement team's time is taken up with users' issues in using the system.

- Still a very paper dominated process – there are no facilities to provide electronic distribution of requisitions, purchase orders or receiving supplier invoices. In many cases requestors are not completing formal requisitions. Where requisitions are completed, in many cases there is duplication caused by requestors raising manual requisition forms which then have to entered into iProc by Financial Administration.

- In many cases manual documentation is being retained and checks are being made on manual documentation when computer checks are available (eg where an invoice has been matched to a purchase order and goods received note the budget holder still has to fill in a manual invoice approval stamp). This is causing duplication of effort.

- Performance of the system is poor, particularly on obtaining reporting information – the Discoverer reporting tool was implemented to aid reporting in the procurement module but the performance does not allow it to be used efficiently. As a result the procurement team use a SQL tool to get the required information.

- Inconsistency of procurement data management information – not all spend is recorded in the procurement system and this makes it difficult to provide a complete analysis of spend. The procurement configuration allows the addition of a three part category code to enable complete analysis but is only able to be utilised if entered against all spend.

- Commodities spend analysis is not accurate – in situations where requisitioners do not use a catalogue item they are required to enter the 3 part category code. Often these are interpreted incorrectly and the wrong combination is chosen.

- Changes to cost centre structures by the Finance Department affects purchase order generation and approval – there is no process to filter down to the procurement team any changes to cost centre structure. If purchase orders are coded against these cost centres, the system account workflow generation fails and the purchase orders fall into a buffer zone and are not completed. This requires manual intervention and correction of the requisitioner default cost centre and purchase order.

- Some directorates are purchasing outside the system and creating invoices and payments without purchase orders to match against – due to the reluctance of some requisitioners in the directorates to use the procurement system, there are a number of 'off-system' purchases taking place. This is possible as the payments processing is not truly centralised and the requisitioners make use of this by entering purchase invoices and creating payments without the need to match to invoices through the central payments team.

- ▪ The majority of requisitions created are non-catalogue requests – with catalogue items, the correct purchasing category will default onto the purchase orders enabling correct reporting of spend. If a non-catalogue requisition is created the users do not always choose the correct category and this then results in incorrect reporting of spend by commodity.

- ▪ Estimated purchase orders mean inaccurate pricing and matching – this is particularly prevalent in the building works area due to the nature of the building works procurement. The price at the time of the purchase order creation is not always applicable at the time of the payment due to additional work that needed to be carried out. This results in inaccuracies in matching invoices to orders and delays payment.

- ▪ Requirement to cancel purchase orders that are not closed even though the invoice is received – the purchase order, if received against, will need to be cancelled to generate a correct reflection of the accrual position in the general ledger. If the invoice received by the requisitioner does not have the correct purchase order information, the payments team will not be able to match to an invoice, leaving the purchase open, received and generating an accrual journal even though the invoice has been accounted for in the general ledger.

3.5   Drivers for Change

Based on the strategic context outlined above and deficiencies identified within the existing Oracle Financials and iProcurement implementations, the following drivers for change have been identified as being relevant to the upgrade of the Oracle Finance and iProcurement systems.

Figure 3.4
Drivers for Change
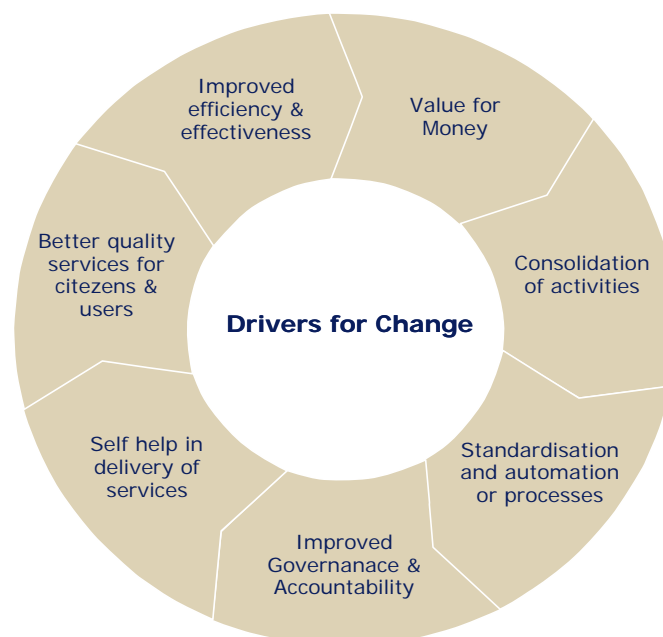
These have been taken account of in the development of the new Target Operating Model outlined in Section 3.6 below and have led to the development of a number of project objectives as detailed in Section 3.7 overleaf.

3.6   New Target Operating Model

Product 1 of this planning phase outlines the new Target Operating Model to be applied by the Council to finance and purchasing / procurement activities.   A summary of the model and the principles underpinning its development are outlined below.

3.6.1   Principles to be Applied in Developing the New Target Operating Model

Procure to Pay

- iProc will be used to generate purchase orders for all Council supplies, unless it can be demonstrated that it is not appropriate for this purpose, in which case an interface must be built to the appropriate procurement system.

- Requisitions/Purchase orders to be generated by service users through iProc.

- Purchases from unapproved Council suppliers to only be made in exceptional circumstances where the benefit of their use can be clearly demonstrated.

- Use of supplier catalogues to be maximised.

- P-cards to be used for low value, high volume items (value to be defined).

- Appropriate data cleansing and data input activities to be undertaken prior to implementation of the new system.

- Electronic connection to suppliers for Procure to Pay to be included in future specifications for services.

- Receipting on the system to be undertaken by service users (based on GRN/delivery note).

- Appropriate tolerances to be built into the matching systems.

- Appropriate user training and support to be provided.

- All invoices to be received in a central shared service centre.

- Where invoices are matched on the Oracle AP system, no further approvals from budget holders to be required prior to payment.

- Unmatched invoices only to be workflowed to service users for approval.

- Where electronic approval of purchase orders/invoices is received, there will be no need for manual signatures or 'birdcage" invoice approval stamp.

Accounts Receivable

- Requests for sales invoices and credit notes to be raised electronically by service users.

- Responsibility for collection of outstanding debts to remain with service users responsible for the service supplied.

- Debt management processes to be improved, with necessary information provided to all service users.

- Use of sundry debtors to be minimised.

- Manual process of raising a pro forma invoice to correct overpayments to be automated.

- Cash handling to be minimised.

- Payment in advance of service provision to be used, where possible.

Budgeting and Management Reporting

- Outcome of recent review of cost centre structures and cost codes to be agreed with budget holders and implemented in Oracle.

- Agreed cost centre structure to drive budgeting and management reporting processes.

- Budgeting module on Oracle to be used to drive budget setting process. Control over this process to be retained by Central Finance.

- Oracle workflow processes to be applied to budget approval processes – 3 year rolling budgets to be uplifted to the Oracle system.

- Detailed payroll information to continue to be maintained in Trent and interfaced at an appropriate level to Oracle.

- Adjustments for accruals and prepayments to be undertaken in Oracle GL on a quarterly basis.

- Oracle to be used as the basis for management reporting in the future.

- Real-time, on-line access to Oracle and Trent to be provided to budget holders.

- A budgeting and planning product to be used for development of more sophisticated reports, including forecasts.

General Ledger

- All information going into the General Ledger to be automated; either from Oracle sub-ledgers or interfaces from supporting systems.

- Access to journal creation to be controlled.

- Central control to be retained over creation and maintenance of the chart of accounts.

- A single chart of accounts to be applied across all systems using financial information. Where systems needs require, mapping tables to be used.

- A flexible chart of accounts to be introduced to allow management of programme initiatives, projects, consolidations, recharges etc.

- A harmonised Council wide month-end close timetable to be introduced based on the Corporate Reporting schedule.

- Responsibility for close down of sub-ledgers and the General Ledger to be appropriately allocated.

- Enabling technologies to be utilised, including:

  - Online forms.

  - Workflow.

Treasury Management

- Formal processes to be established for cash and treasury management.

- These are to be automated, where possible, with automatic input from Accounts Payable and Accounts Receivable systems and bank reconciliation processes.

- Investment management process to be formalised and automated, where possible.

Contract Monitoring

- A formal system of contract monitoring to be introduced in the Council and responsibility assigned for these activities.

- Contract monitoring processes to be standardised with standard contract terms,. templates and monitoring facilities used.

- Contract monitoring process to be automated as much as possible through the use of electronic monitoring.

3.6.2 Overview of New Target Operating Model

A summary of the proposed new Target Operating Model is outlined in Figure 3.5 overleaf.

Figure 3.5

New Target Operating Model
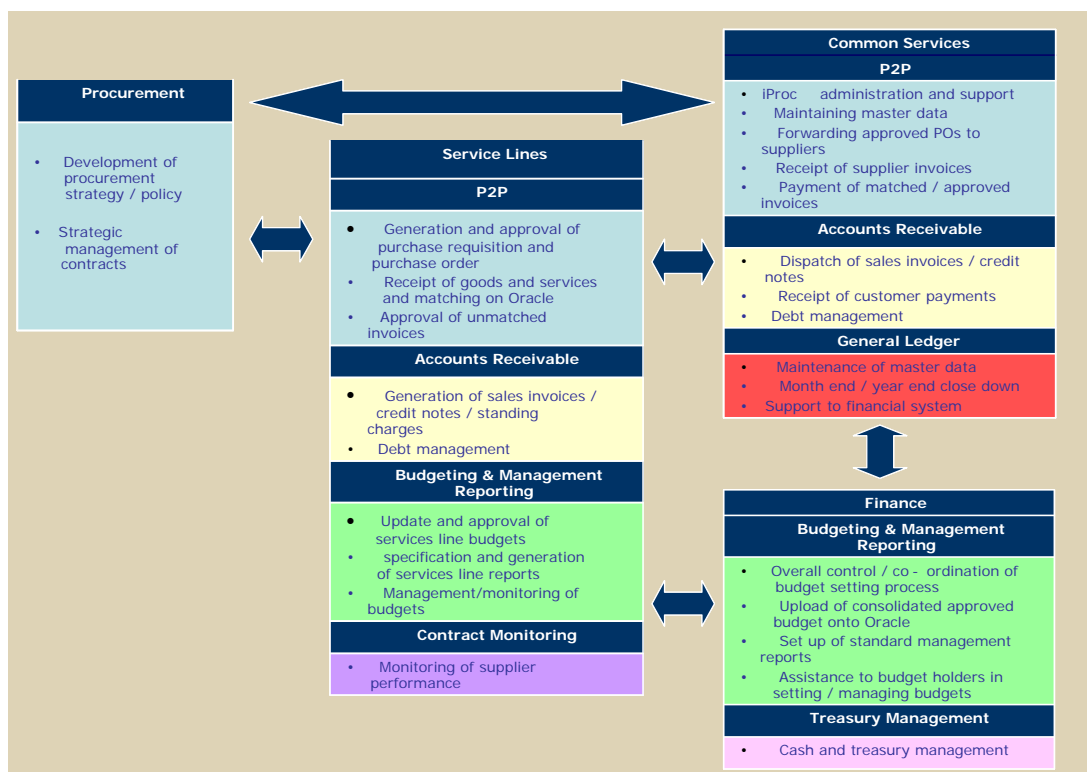
In addition a revised module map for the Oracle application is included in Figure 3.6 overleaf.

Figure 3.6

Revised Module Map
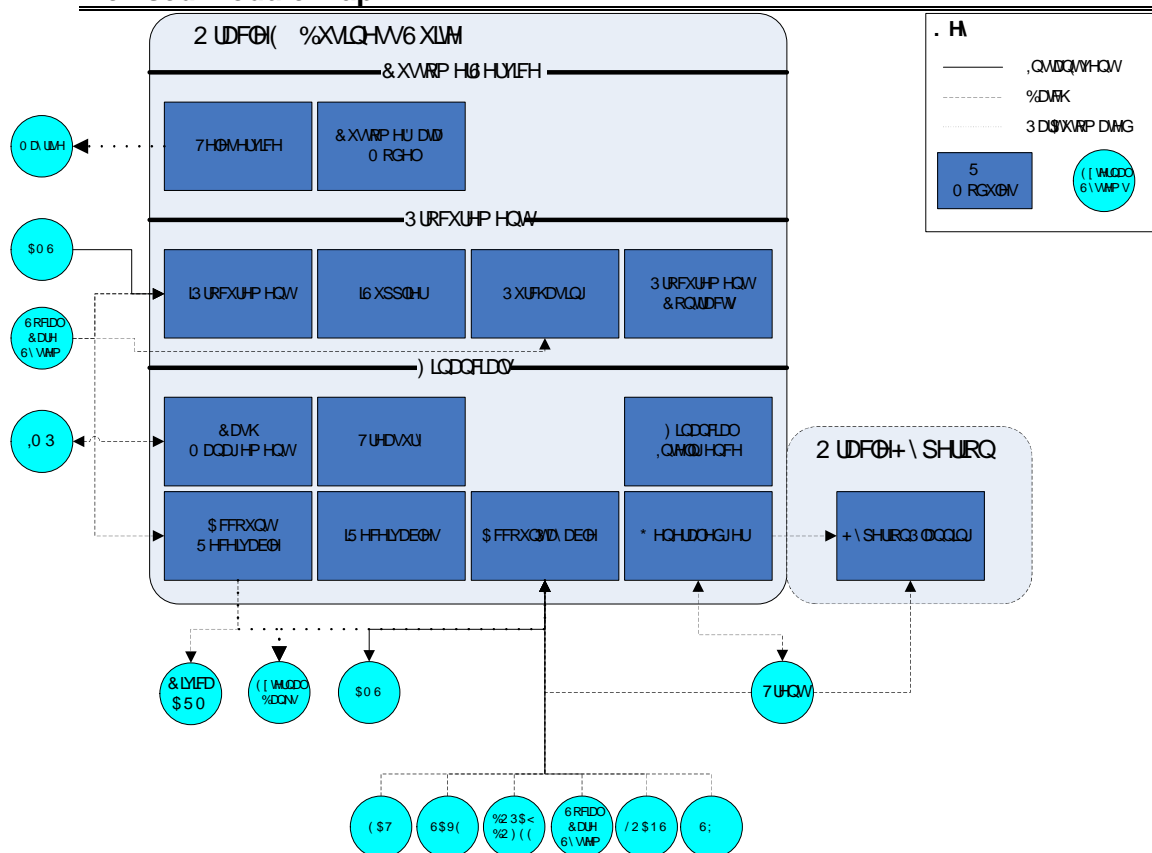
3.7 Project Objectives

Based on the strategic context outlined above, and the Target Operating Model, objectives identified for the project to upgrade Oracle Financials and iProcurement are as follows:

- **Quality of services provided to users**

  – To improve the quality of services provided to users of the finance and procurement functions by providing on-line access to user friendly systems, reducing reporting times, and making systems more responsive.

  Targets
  – On-line access to and appropriate training in Oracle Financials provided to 100% of budget holders by April 2010.
  – On-line access to and appropriate training in iProc provided to 100% of staff who have requisition and ordering responsibilities by April 2010.

- – On-line access to and appropriate training in a sophisticated budgeting and planning tool to be provided to 100% of staff who require reporting functionality by April 2010.
- – Standardised reporting functionality established on Oracle suite of reports by April 2010.
- – Reduction in current account close times of 20% by 2010/11.

- ▪ **Efficiency**

  - – To reduce the cost of the transaction processing functions within the scope of the review (i.e. Finance, Business Support and Procurement), thereby releasing resources for front-line services

  Targets
  - – Approximately £800k per annum of efficiency savings compared to current baselines to be achieved within Finance and Financial Administration from 1 April 2011. 65% of this amount to be achieved in year ending 31 March 2011.

- ▪ **Governance and accountability/Compliance**

  - – To ensure that governance and accountability arrangements are maximised within the Council, with compliance with Council financial procedures being mandatory.

  Target
  - – 100% compliance with Financial Regulations and Standing Orders by April 2011.

- ▪ **Standardisation, automation and simplification of processes**

  - – To improve the efficiency of the finance and procurement processes by introducing standardised processes, maximising automation and reducing reliance on manual intervention.

  Target
  - – 100% compliance with the new target operating model and associated process maps by April 2011.

- ▪ **Flexibility to meet new organisational arrangements**

  - – To ensure that the new Oracle systems are implemented in a flexible manner that can adapt to any changes in future organisational arrangements within the Council.

  Target
  - – 100% accuracy of Oracle hierarchies within 10 days of changes.

4 THE ECONOMIC CASE

4.1 Introduction

Over the period November 2007 – February 2008, the Council has been undertaking an exercise aimed at identifying the requirements of users in respect of the Oracle Financials and iProcurement systems. These requirements have been identified for the following key workstreams:

- Procure to pay.

- Accounts receivable.

- Budgeting and management reporting.

- Treasury management.

The agreed user requirements are documented in product 3 "Oracle Business Requirements", and options capable of meeting these requirements are identified in Section 4.2 below.

4.2 Identification of Options

This section of the business case identifies the options for the replacement of the Oracle Financials system (including iProcurement). It initially considers the technical (software) options available to meet the user requirements then considers the service delivery options.

4.2.1 Technical Options

The range of available technical options is outlined below:

- **Option 1: Do nothing** – this option involves Walsall Council continuing to use its current systems, infrastructure and staffing structures to undertake its finance and procurement activities. While it is recognised that continuing with the present systems and arrangements is not a viable option for the Council going forward, it has been included here as a baseline against which all other Do Something options can be evaluated.

- **Option 2: Re-implement iProcurement and Oracle Financials v11.5.8** – this option involves the re-implementation of the existing version of Oracle – release 11.5.8. This would involve re-engineering the Council's processes to enable a more efficient use of its current software platform and implement the Target Operating Model as far as possible.

  This option would also include configuration and use of a sophisticated budgeting and planning tool (such as Hyperion) to meet user requirements in respect of budgeting and management reporting.

  It should be noted that one of the deficiencies of this option is the functionality available in respect of debt management, an issue that is resolved through use of Advanced Collections in release 11.5.10 of Oracle Financials and subsequent releases.

- **Option 3: Implement iProcurement and Oracle Financials v11.5.10.2** – this option involves the procurement and implementation of a new release of the Oracle eBusiness suite platform. It would involve a significant redesign of the Council's related processes and would require additional activities such as solution procurement, project management, data migration and training. This option would also involve the implementation of Advanced Collections in respect of the required debt management functionality.

- **Option 4: Implement iProcurement and Oracle Financials R12** – this option involves the procurement and implementation of the latest Oracle platform – release 12. This option will be accompanied by significant redesign of the Council's processes and would involve additional resource requirements to facilitate the solution procurement, project management, data migration and training elements of the project. This option provides significant additional functionality over previous releases (see Appendix 1) and introduces the Advanced Global Intercompany System which can be used for recording internal trading transactions, thus automating this process.

Table 4.1 analyses the technical options further and shortlists the options that will be taken forward for detailed financial and non-financial evaluation.

Table 4.1

Short-listing of Technical Options

Option	Rationale	Short-list
Option 1: **Do Nothing**	This option does not meet the requirements of this project or any of the project objectives outlined in Section 3.7 above, however, in line with Treasury guidance it will be retained as a baseline against which all other options can be evaluated.	Yes
Option 2: **Re-Implement iProcurement and Oracle Financials version 11.5.8**	This option will not be short-listed for the following reasons: • This release of Oracle is now over five years old and a further three versions of Oracle with enhanced functionality have been released in the interim period. The problems being experienced in the current implementation are so fundamental that a full re-implementation will be required, with associated business process re-engineering being undertaken. It is not possible to merely upgrade to the latest release of Oracle. • Primary support for this version of the Oracle platform expired in November 2007 making support for this version more difficult and more expensive.	No

Option	Rationale	Short-list
	• This version does not allow for the implementation of the advanced collections module and, as such, does not meet one of the key aspects of functionality required by this project. In addition, the Advanced Global Intercompany System is not available for recording internal trading transactions. • Significant additional functionality is available through Release 12 (see appendix 1).	
Options 3: **Implement iProcurement and Oracle Financials version 11.5.10.2**	This option will not be short-listed for the following reasons: • Primary support for this version of the Oracle platform ends in November 2010 making support for this version more difficult and more expensive. • This would be an intermediary version of Oracle as the Council would be required to move to Release 12 within a few years anyway. • The Advanced Global Intercompany System is not available for recording internal trading transactions, nor is refunds functionality. • A move to version 11.5.10 now and a subsequent move to Release 12 would mean 2 separate implementations and therefore increased cost and disruption to the Council. • Significant additional functionality is available through Release 12 (see appendix 1).	No
Option 4: **Implement iProcurement and Oracle Financials release 12**	This option will be short-listed for the following reasons: • Option four, the implementation of Oracle Release 12, provides all of the functionality required by the Council and also includes some increased functionality. • It is based on the latest Oracle technology and has a more user friendly look and feel. • This version although new now will be	Yes

Option	Rationale	Short-list
	approximately 2 years old by the time the Council implements it; this will allow time for any issues associated with the new technology to be resolved and for the platform to become fully stable.	

4.2.2 Service Delivery Options

The main service delivery options available to the Council are outlined below

- **(A) On-demand service delivery model** – Utilising an on demand supplier essentially involves the Council owning the Oracle licenses and relying on a third party to manage the software, infrastructure and technology on its behalf.

- **(B) Managed service hardware and operating system support, with internal application support –** This is a managed service option where a third party company will host, manage and maintain the servers on the Council's behalf from the hardware through to the Operating System, and provide associated support and patch management. There are options to lease or purchase the equipment. Application support will be internally managed and delivered.

- **(C) Purchase own hardware and support and manage internally –** This option involves owning, managing and maintaining all the hardware, operating system and application set internally. Oracle eBusiness Suite is an enterprise application that involves much technical and operational capability. One of the most common failures organisations face is due to a lack of recognition of what this actually entails. The most successful organisations, on the other hand, who fully utilise these systems and extract maximum return on their investments are the ones who understand what is required to make it work.

- **(D) Purchase own hardware and support and manage internally –** As in (C) above but increasing the level of support Oracle and the hardware vendor is offering. Most of the vendors operate a connected service which allows them to monitor faults on hardware and software creating alerts in a pro-active manner (or in the likes of disk failure reactive).

There are reasons why service delivery options (A), (B) and (D) are not suitable or viable options for the Council and as such will not be taken forward to full costing. These reasons are described below.

The Council has a number of platforms and applications as well as its Oracle financial systems and related applications. Some of these are bespoke internal systems and these systems would have to continue to be hosted by the Council even if it was decided to use an on-demand or managed service delivery model for the proposed financial and reporting systems. This would mean duplication of effort, and more importantly of costs; as there would be the cost of the new service delivery option, but

also the continuing and increasing cost of an internal hosting infrastructure to support the Council's other platforms and applications.

Another reason why the on-demand or managed service delivery models would not be suitable is because it is part of the Council's overarching data hosting strategy to manage all its data in-house and not have it managed by a third party. The loss of control over its own data and the potential decrease in service and support through indirect control is something that the Council wants to protect against. It is the aim of the data hosting strategy to maintain full control over all Council data. This reason also precludes sub-option (D) as, in this case also, the Council would not have full control over the support of its systems and so the quality of service to end users (a specific project objective) may be compromised.

As stated, it is for these reasons that sub-options (A), (B) and (D) will not be taken forward for full costing and analysis.

In summary this means that the options to be taken forward for further analysis and consideration are;

Option 1: Do nothing.

Option 4 (C): Implement Oracle R12 and purchase own hardware and manage internally.

The remainder of this business case will focus on these options.

4.3   Monetary Costs and Benefits

This section of the business case examines the potential monetary costs and benefits associated with the options identified for detailed investigation, that is:

▪ Option 1 – Status Quo (Do Nothing).

▪ Option 4c – Implement Oracle R12 and purchase own hardware and support and manage internally.

The costings for each option span a five-year period post implementation, the standard time period used for a project of this nature. Costings are based on assumptions that have been developed by the Council and signed off by the Council's project team.

There are a number of general "business-based" assumptions which have been applied to all short-listed options. These are as follows:

▪ Year 0 is the first year of the project.

▪ Year 0 runs from 1 October 2008 – 31 March 2009

▪ All costs are stated at April 2008 levels.

▪ All costs exclude VAT.

The total annual costs over the lifetime of the project (October 2008 to March 2015) of the 'do nothing' and the "do something" options are provided in Tables 4.2 and 4.3 overleaf.

We have included the costs relating to Option 1 as a baseline only. Option 1 (the "do nothing" option) does not meet any of the project's objectives and the option does not represent a viable option for Walsall Council.

4.3.1 Costs to be examined

The costs to be examined for each of the short-listed options have been categorised under a number of separate headings in accordance with HMT guidance:

- Capital Costs:
    - Implementation costs.
    - Migration Costs
    - Hardware and infrastructure costs.
    - Software Licensing.
    - Contingency Costs.

- Revenue Costs:
    - Hardware and infrastructure Maintenance (includes support).
    - Software Maintenance (includes support).
    - Additional training costs.

Please note that not all of these cost components are included for each of the short-listed options. A detailed breakdown of the costs associated with each short-listed option has been included in Appendix 2.

4.3.2 Summary of costs for option 1 – Do Nothing

Table 4.2 overleaf presents a summary of the capital and revenue costs for Option 1 – Do Nothing. Existing contracts for hardware to support the current version of Oracle Financials and IProcurement will run out in 2008/9, so the "Do Nothing Option" requires the purchase and implementation of significant IT infrastructure to replace the current infrastructure. This has been included in the costs below.

Migration costs have been calculated by the Council's IT Team. These relate to the cost of the migration from the old to the new hardware – this will require specialist expertise as well as significant internal resources.

The revenue costs relate to the maintenance and support of the new technical infrastructure and to any training that is required to equip staff with the new skills required.

Table 4.2

Summary of costs for option 1

Option 1: Do nothing								
Baseline costs	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total**
Baseline staff costs	3,364	6,728	6,728	6,728	6,728	6,728	6,728	**43,732**
Baseline IT costs	659	1,317	647	647	647	647	647	**5,208**
Total baseline	**4,023**	**8,045**	**7,375**	**7,375**	**7,375**	**7,375**	**7,375**	**48,941**
Capital costs								
Migration Costs	0	500						**500**
Hardware & Infrastructure	0	542						**542**
Software Licenses	0	117						**117**
Contingency (General 5% + IT 10%)	0	91						**91**
Total Capital costs	**0**	**1,250**	**0**	**0**	**0**	**0**	**0**	**1,250**
Revenue costs								
HW Support & Maintenance			78	78	78	78	78	**391**
SW Support & Maintenance			25	25	25	25	25	**125**
Additional training			48					**48**
Savings Not Realised								**0**
Interest costs								
Total Revenue costs	**0**	**0**	**151**	**103**	**103**	**103**	**103**	**564**
Subtotal Capital & Revenue costs	**0**	**1,250**	**151**	**103**	**103**	**103**	**103**	**1,813**
Total cost of option over 5 years	**4,023**	**9,295**	**7,525**	**7,478**	**7,478**	**7,478**	**7,478**	**50,754**

Source: Deloitte

These costs represent undiscounted values. Further detail can be obtained in Appendix 2.

4.3.3   Summary of costs for option 4C

Table 4.3 overleaf presents a summary of the capital and revenue costs for option 4C. This Option involves the purchase and implementation of the IT infrastructure included in option 1 and also the purchase and implementation of Oracle Release 12 (Financials and iProcurement) and a sophisticated budgeting and reporting tool (current costs are based on Hyperion, but the procurement process may identify a different option).

The implementation team cost is the cost of the design, build, test and delivery of the new target operating model. This will require a mix of external business consulting expertise, internal and external technical expertise and significant internal council resources to manage and complete the project effectively. This implementation plan has been developed by the Council's IT Department and assumes that 60% of staff will be internal. This level of internal resource has been signed off by the Council's project team as being achievable.

Redundancy costs have been calculated by the Finance and Financial Administration Teams based on the Target Operating Model outlined in Section 3.6 above.

The revenue costs relate to the maintenance and support of the new technical infrastructure and the new operating systems (Oracle and budgeting system) and to any training that is required to equip staff with the new skills required.

Table 4.3

Summary of costs for option 4 c

Option 4c :Own HW / internal support								
Baseline	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total**
Baseline staff costs	3,364	6,728	6,728	6,728	6,728	6,728	6,728	**43,732**
Baseline IT costs	659	1,317	647	647	647	647	647	**5,208**
Total baseline	**4,023**	**8,045**	**7,375**	**7,375**	**7,375**	**7,375**	**7,375**	**48,941**
Savings								
Staff efficiencies			531	818	818	818	818	**3,802**
Non-staff savings (overheads 4%)			21	33	33	33	33	**152**
Total Savings	**0**	**0**	**553**	**850**	**850**	**850**	**850**	**3,954**
Capital costs								
Implementation team	1,023	1,834						**2,857**
Hardware & Infrastructure	0	596						**596**
Software Licenses	0	694						**694**
Contingency (General 5% + IT 10%)	51	221	0					**272**
Total Capital costs	**1,074**	**3,346**	**0**	**0**	**0**	**0**	**0**	**4,420**
Revenue costs								
HW Support & Maintenance			101	101	101	101	101	**504**
SW Support & Maintenance			390	390	390	390	390	**1,950**
Additional training	10	108	103					**220**
Redundancy costs			107	72				**179**
Total Revenue costs	**10**	**108**	**700**	**563**	**491**	**491**	**491**	**2,853**
Subtotal Capital & Revenue costs	**1,084**	**3,454**	**700**	**563**	**491**	**491**	**491**	**7,273**
Total cost of option over 5 years	**5,107**	**11,499**	**7,522**	**7,087**	**7,015**	**7,015**	**7,015**	**52,260**

Source: Deloitte

These costs represent undiscounted values, further detail can be found in Appendix 2.

4.3.4   Summary of Efficiencies for option 4C

The Council has also identified efficiencies associated with the new target operating model to be applied within Finance, Financial Administration and Procurement. This has been based on identifying activities that will no longer be required and achieving benchmark standards for the public sector in relation to transaction processing elements. It is estimated that 65% of the total savings will be achieved in 2010/11 as the target operating model is implemented with full savings of £818k per annum being achieved from 2011/12 onwards.

It is envisaged that the successful implementation of Release 12 will contribute to the delivery and capture of the procurement savings target of £4.9m by 2010/11 as well as providing improved governance within the purchase to pay function. The new target operating model and R12 functionality can assist in the following ways

-       better information will be available in respect of contracts and contract management. (eg standardised contract terms/templates, capacity to engage in electronic tendering, automatic notification of contract renewal requirements, improved management information regarding contracts).This will lead to reduced time being spent in these activities, as well as procurement savings arising from increased compliance with the Council's procurement processes including greater volume of procurement from approved suppliers which can lead to reduced unit costs;

-       better control of spend through contracts and catalogues and price savings from the aggregation of contracts across all Council Departments

        (at present the central procurement function only covers corporate procurement and social care and inclusion);

- reduced processing costs from use of P-cards, electronic catalogues, consolidation of receipting points, improved information flows etc;

- reduction in queries, mistakes, mismatches

- reliability and speed improvements (which may lead to stock savings)

- reduction in late payments and increased ability to take advantage of early payment discounts

- reduction in duplicate payments

Benchmarks available to the Council indicate that significant financial savings can accrue from the implementation of ERP systems (for example the Local Authorities National eProcurement project estimates that savings of between 4-7.5% of procurement spend can be achieved through implementation of true e-procurement)..The project team does not have the baseline data available at this point in time to put a financial estimate on the amount of procurement/governance savings that could be achieved through the implementation of R12. However, following the implementation of the system on 1 April 2010, an exercise will be completed to capture this data and a financial savings target will then be agreed for 2010/11 and subsequent years. This is in addition to the savings currently included in the financial model above.

4.4   Non-Monetary Costs and Benefits

A business case should not be limited to monetary costs and benefits. Costs and benefits that have not been valued should also form an important part of the overall case and so should be documented and presented.

This section of the business case therefore provides an assessment of the costs and benefits of the short listed options that cannot be valued in monetary terms. The benefits presented in this section were identified through consultation with the project team.

In considering the non-monetary costs and benefits of the options, two principles should be observed;

- non-monetary analysis must be conducted with reference to the needs and objectives established at the beginning of the appraisal.

- the analysis must make clear how each of the options compare in regard to these factors.

Based on the objectives outlined in section 3.7 above and the consultation with the project team, the following high level non-monetary factors have been identified as having an impact on the options.

Factor:		Improved standardisation of operating processes
Factor:		Improved standardisation of management reporting
Factor:		More widespread use of the iProcurement solution
Factor:		Increased percentage of invoices that can be matched to a purchase order
Factor:		Reduced time to process both AR and AP invoices
Factor:		Reduced time to authorise and approve invoices
Factor:		Improved commitment recording
Factor:		Reduced days required to close accounting period and prepare management reports
Factor:		Reduced time to carry out budgeting cycle
Factor:		Enhanced system capability to assist with budgeting process (e.g. Improved scenario planning)
Factor:		Improved access to more up to date budgeting information for budget holders and service managers
Factor:		Improved information and access to information (faster FOI responses, improved contract management etc)
Factor:		Improved compliance with procurement procedures (reduced "off-contract" ordering)

Option 4C delivers the capability to realise the benefits identified above – Option 1 "do nothing" does not. Option 4C would therefore represent the most suitable option for the Council in terms of non-monetary benefits.

The benefits that have been identified will be assessed, profiled and monitored in line with the benefits realisation management approach outlined below in section 7.3 of this document.

4.5 Assessment of Risks

Having completed an appraisal of monetary costs and benefits, it is now necessary to assess the risks associated with each of the short-listed options. The objective of this exercise is to confirm whether there are any risks that would cause a change in the status of the options and whether this clarifies which is the preferred option.

It is not possible to eliminate these risks completely, but it is vital to the success of the project that these risks are minimised through careful and thorough planning.

4.5.1 Identification of Project Risks and Uncertainties

The short-listed Do Something option will now be subject to a risk assessment. This assessment will consider whether there are risks and uncertainties in relation to this option that would prevent it from being the preferred option.

The main areas of risk and uncertainty associated with the project are listed below. The risks identified have been derived from discussions with the project team.

Table 4.4

Summary of project risks

Risk	Description	Potential impact
1	Incorrect or Insufficient resources allocated to the project	▪ Failure to meet the implementation timelines. ▪ Proposed solutions do not meet requirements / expectations of stakeholders. ▪ The anticipated benefits from the implementation of the new solution are not realised. ▪ The focus in terms of scope, strategy and direction is not maintained. ▪ Ineffective decision making and over reliance on governance groups to resolve issues.
2	Inadequate definition of project requirements and deliverables	▪ Reduced quality of designed systems and processes. ▪ Proposed solutions do not meet requirements / expectations of stakeholders. ▪ Lack of acceptance by users.
3	Inadequate ICT infrastructure to support new hardware and software requirements	▪ Failure to meet the implementation timelines. ▪ Achievement of efficiencies associated with the new model is hindered.
4	Oracle R12 software is immature and does not function properly	▪ Users will try to meet their needs through retaining and/or re-establishing old processes. ▪ Lack of acceptance by users.
5	Inadequate plans and resources to roll system out to all users	▪ Users will try to meet their needs through retaining and/or re-establishing old processes. ▪ Standardisation and consolidation

Risk	Description	Potential impact
		of services is limited. ▪ Limits opportunity to improve service delivery.
6	Non-compliance of users regarding new operating model – e.g. users do not comply fully with new processes or do not use full functionality of system (iProc use does not increase)	▪ Common application standardisation and optimal processes are not achieved. ▪ Limits opportunity to improve service delivery.
7	Business managers continue to rely upon Finance departmentt support for budget monitoring	▪ Finance dept find it difficult to move to new operating model. ▪ Limits opportunity to improve service delivery.
8	There is a lack of new operating model compliance monitoring and control	▪ Users are not encouraged or directed to use new operating model as compliance levels are undefined. ▪ Users see lack of monitoring as lack of interest on behalf of management.
9	Lack of user buy-in to the proposed solution	▪ Limited stakeholder trust and confidence in processes and services. ▪ Reduced staff satisfaction impacting productivity and service levels. ▪ Limits opportunity to improve service delivery.
10	Lack of senior management buy-in to the proposed solution	▪ The focus in terms of scope, strategy and direction is not maintained.
11	Key staff are de-motivated due to staff reductions – e.g. managers in finance and business support	▪ Limits opportunity to improve service delivery. ▪ Has an impact on other staff.
12	Staff are difficult to retain as project kicks-off and individuals understand the change impact	▪ Loss of key staff. ▪ Loss of tacit knowledge and key experience. ▪ Delay in solution implementation as staff lose energy & motivation.
13	Inadequate knowledge transfer from the consultants to the core team	▪ Key skills and learning lost when consultants leave organisation. ▪ System failure as internal resources are not ready to fully support solution.

Risk	Description	Potential impact
14	Inadequate knowledge transfer from the core team to the end users	▪ Users feel like they are not involved. ▪ Users not able to effectively develop the skills required.
15	Poor internal communication	▪ Communications do not occur and/or wrong or conflicting messages. ▪ Change management strategies may be less effective due to confusing messages. ▪ Apparently conflicting information may be disseminated to stakeholders.
16	Risk to wider employee relations	▪ Staff refuse to accept some elements of solution. ▪ Industrial action considered by staff.
17	Risk of political decision affecting investment decision	▪ Project is put on hold or cancelled.
18	Future budget pressure affecting investment decision	▪ Project is put on hold or cancelled.

Source: Risk Workshop

4.5.2 Analysis of Risk

The approach taken to analysing the impact of risk and uncertainty on the options is as recommended in current HMT guidance.

In line with this guidance, the approach adopted in this analysis is as follows:

▪ identify and explain the important areas of risk and uncertainty (this is presented in Table 4.4 above).

▪ assess the impact and likelihood of the risks and identify mitigation strategies for each one This was developed at a risk management workshop attended by Council representatives nominated by the Project Board. (The Council's assessment of likelihood and impact of risk and associated mitigation strategies is presented in tables 4.5 and 4.6 below). Impact and Likelihood scores are marked out of 5, with 5 meaning that there is a high impact or likelihood.

The benefits of this exercise are as follows:

▪ it allows the Council to assess how each of the options is impacted by these uncertainties, and to select a preferred option accordingly.

▪ it helps the Council to understand the relative importance of the various risks with relation to the option which is finally selected.

Details of the risk analysis are shown in table 4.5 below.

Table 4.5
Analysis of Risk – Impact and Likelihood Option 4(c)

Risk	Description	Impact	Likelihood	Score
1	Non-compliance of users with new operating model – e.g. non compliance with new processes or full functionality of system (iProc use does not increase)	4	5	20
2	Business managers continue to reply upon Finance dept support for budget monitoring and do not take responsibility for their own monitoring	4	5	20
3	Incorrect or insufficient resources allocated to the project	5	4	16
4	Key staff are de-motivated due to staff reductions – e.g. managers in finance and business support	4	4	16
5	Lack of user buy-in to the proposed solution	3	5	15
6	Lack of senior management buy-in to the proposed solution	5	3	15
7	Poor internal communication	3	4	12
8	Staff are difficult to retain as project kicks-off and individuals understand the change impact	2	4	8
9	Inadequate knowledge transfer from the consultants to the core team	2	4	8
10	Inadequate knowledge transfer from the core team to the end users	2	4	8
11	Future budget pressure affecting investment decision	4	2	8
12	Inadequate definition of project requirements and deliverables	3	2	6
13	Inadequate ICT infrastructure to support new hardware and software requirements	3	2	6
14	Inadequate plans and resources to roll system out to all users	3	2	6
15	There is a lack of new operating model compliance monitoring and control	4	1	4
16	Risk to wider employee relations	2	2	4
17	Risk of political decision affecting investment decision	4	1	4

| 18 | Oracle Release 12 software is immature and does not function properly | 3 | 1 | 3 |

Source: Risk Workshop

The mitigation strategies for the identified risks are presented below. Only risks with a score of 5 or higher have had mitigation strategies identified.

Table 4.6
Analysis of Risk – mitigation strategies

Risk	Description	Mitigation strategy
1	Non-compliance of users with new operating model – e.g. non compliance with new processes or full functionality of system (iProc use does not increase)	Ensure adequate communication and training in relation to target operating model. Communicate that efficiencies are linked to compliance. Put appropriate compliance monitoring in place. Ensure there is an appropriate enforcement mechanism for non-compliance.
2	Business managers continue to reply upon Finance dept support for budget monitoring and do not take responsibility for their own monitoring	Ensure adequate training is given to business managers and finance. Ensure that roles and responsibilities of business managers and finance are made clear and well communicated. Ensure accountability is well communicated.
3	Incorrect or insufficient resources allocated to the project	Clearly identify, agree and communicate Investment decision. Secure support from senior management.
4	Key staff are de-motivated due to staff reductions – e.g. managers in finance and business support	Communicate impact of project on efficiency targets. Engage with stakeholders early. Engage with the HR department as early as possible to identify strategies re: redeployment etc.
5	Lack of user buy-in to the proposed solution	Ensure sufficient training and communication plans are put into place early. Ensure management have a mandate for compliance monitoring and enforcement.

		Ensure there is sufficient user and stakeholder engagement.
		Plan and execute appropriate user acceptance testing.
6	Lack of senior management buy-in to the proposed solution	Ensure sufficient training and communication plans are put into place early.
		Ensure an appropriate Senior Responsible officer (SRO) and project board have been selected.
		Communicate the link between compliance and efficiencies.
		Ensure project benefits are appropriately communicated.
7	Poor internal communication	Ensure effective communications strategy is in place.
8	Staff are difficult to retain as project kicks-off and individuals understand the change impact	Ensure an appropriate change management strategy is in place to facilitate move towards new structures.
		Establish a performance related incentive scheme.
9	Inadequate knowledge transfer from the consultants to the core team	Establish a formal mechanism to facilitate and monitor the effectiveness skills transfer.
10	Inadequate knowledge transfer from the core team to the end users	Establish a formal mechanism to facilitate and monitor the effectiveness skills transfer.
11	Future budget pressure affecting investment decision	Manage communications with senior management and Council members.
		Ensure project objectives are clearly communicated.
		Ensure project budget is managed and any change is identified early, controlled and communicated.
12	Inadequate definition of project requirements and deliverables	Clearly identify, agree and communicate product definitions and document standards.
13	Inadequate ICT infrastructure to support new hardware and software requirements	Clearly identify, agree and communicate Investment decision.
		Secure support from senior management.
14	Inadequate plans and resources to roll system out to all users	Clearly identify, agree and communicate formal project plans.

15	There is a lack of new operating model compliance monitoring and control	
16	Risk to wider employee relations	
17	Risk of political decision affecting investment decision	
18	Oracle 12 software is immature and does not function properly	

Source: Risk Workshop

4.6 Discounted cash flows

Having estimated the costs and benefits of each of the options, discounted cash flow models were prepared for each option, using a discount rate of 3.5 per cent in accordance with HMT guidance.

The detailed discounted cash flow models for each of the options are included at Appendix 3. The discounted costs for each option are summarised in Table 4.7 below.

Table 4.7
Summary of discounted cash flows

Option 1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total Cost / Saving	4,023	9,295	7,525	7,478	7,478	7,478	7,478	50,754
Discount factor @ 3.5%	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	
DCF @ 3.5%	4,023	8,980	7,025	6,745	6,516	6,296	6,083	45,668

Option 4 c	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total Cost / Saving	5,107	11,499	7,522	7,087	7,015	7,015	7,015	52,260
Discount factor @ 3.5%	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	
DCF @ 3.5%	5,107	11,110	7,022	6,392	6,113	5,906	5,707	47,357

Source: Deloitte

Table 4.7 shows that, in monetary terms, Option 4C has a 3.7% (£1.69m) higher net present cost than the Do Nothing option over the five year period. However, this does not take into account the £800k+ per annum than will continued to be saved in perpetuity arising from implementation of the TOM.

4.7 Identification of the Preferred Option

The preferred option for the Council is the implementation of R12 by purchasing its own hardware and managing and supporting the system internally. Implementing R12 and undertaking all the associated business process re-engineering will result in significant non-financial benefits for the Council as outlined in Section 4.4 above. While implementation of this model results in slightly higher costs than the Do Nothing over the first five years of the project (3.7%, £1.69m), implementation of the Target Operating Model will result in significant recurrent savings for the Council (£800k+ per annum)

5 THE FINANCIAL CASE

5.1 Introduction

This section of the Business Case sets out details of the affordability of the proposed Oracle Transformation Project.

5.2 Affordability Analysis

Figure 5.1 below provides details of the affordability analysis for the preferred option identified in the economic case (see Section 4 of this document). It should be noted that in taking forward the affordability analysis the Council has reviewed the implementation resource plan in detail to identify which of the internal posts require to be backfilled for the duration of the project. This has resulted in 1,760 of the Council input days not requiring a backfill, thus reducing the implementation cost within the affordability analysis by £393k and the associated contingency cost by £20k. This is the difference between the capital costs shown in Table 4.3 above (£4.42m) and in the affordability table below (4.007m).

Figure 5.1
Affordability of Option 4C

Affordability table

Option 4c :Own HW / internal support

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Project Costs								
Capital	944	3,063	0	0	0	0	0	**4,007**
Baseline	4,023	8,045	7,375	7,375	7,375	7,375	7,375	**48,941**
Revenue	10	108	700	563	491	491	491	**2,853**
Capital Charge (4.75%)	45	190	190	190	190	190	190	**1,187**
Total project costs	**5,021**	**11,407**	**8,265**	**8,128**	**8,056**	**8,056**	**8,056**	**56,987**
Project Savings								
Capital	0	0	0	0	0	0	0	**0**
Revenue	0	0	553	850	850	850	850	**3,954**
Total project savings	**0**	**0**	**553**	**850**	**850**	**850**	**850**	**3,954**
Existing Budget								
Capital budget	944	3,063	0	0	0	0	0	**4,007**
Capital Charges	45	190	190	190	190	190	190	**1,187**
Revenue budget	4,023	8,045	8,045	8,045	8,045	8,045	8,045	**52,294**
Total existing budget	**5,011**	**11,299**	**8,236**	**8,236**	**8,236**	**8,236**	**8,236**	**57,488**
Funding Gap								
Capital	0	0	0	0	0	0	0	**0**
Revenue	-10	-108	523	958	1,030	1,030	1,030	**4,455**
Total funding gap	**-10**	**-108**	**523**	**958**	**1,030**	**1,030**	**1,030**	**4,455**
Capital Cost for Affordability								
Implementation team	899	1,565						**2,464**
Hardware & Infrastructure	0	596						**596**
Software Licenses	0	694						**694**
Contingency (General 5% + IT 10%)	45	207	0					**252**
Total Capital costs	**944**	**3,063**	**0**	**0**	**0**	**0**	**0**	**4,007**

Source: Deloitte

Figure 5.1 includes capital already secured for the project of £4m in Years 0 and 1 and cover for capital charges of £190k per annum.. It identifies a revenue saving of £523k in year 2 rising to £1.03m from Year 4 onwards. Over the 5 year post implementation horizon used to analyse this project the affordability model identifies a revenue funding surplus of £4.46m.

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6 THE PROJECT MANAGEMENT CASE

6.1 Introduction

This section of the Business Case sets out details of the following:

- Programme governance and management arrangements.

- Benefits realisation approach.

- Change management.

- Risk management strategy.

- Programme plan.

- Resource requirements.

6.2 Governance and Management Arrangements

Experience of implementation projects of similar scope and complexity to that which is proposed within this business case indicates that there is a significant risk of failure unless the project is:

- carefully managed using a structured methodology, in this case PRINCE2.

- split into discrete manageable stages.

- adequately resourced through the allocation of an in-house implementation team comprising representatives from all interested parties (both business and technical).

- adequately resourced using external resources where skills do not exist in-house.

- properly scoped and budgeted prior to actual procurement.

- subject to rigorous contractual management and control.

This risk of failure will be addressed via the use of an established project management methodology, such as PRINCE2, and the use of experienced Council staff, supplemented, where necessary, by appropriate external advisors.

The project will be organised in line with current best practice for public sector organisations, as specified by the Office of Government Commerce (OGC). The Senior Responsible Officer for the project will be [TBC]. Day-to-day oversight of the project will be vested in a Project Board made up of senior management representatives from within the Council. The Project Board will appoint a Project Manager to direct all activities relating to the project. The Project Manager will manage a team of operational staff, business analysts and technical experts from both internal and external sources.

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The project structure which has been put in place to progress the proposed project is shown graphically below in Figure 6.1. it should be noted that there will also be a cross cutting change management workstream.

Figure 6.1

Project Team Structure

Project Programme Board — Project Sponsor

Project Manager

- Business Project Manager
  - team members
- Technical Project Manager
  - team members
- Technical partner
  - team members
- Business consulting partner
  - team members
- Training Lead
  - team members

Change Management
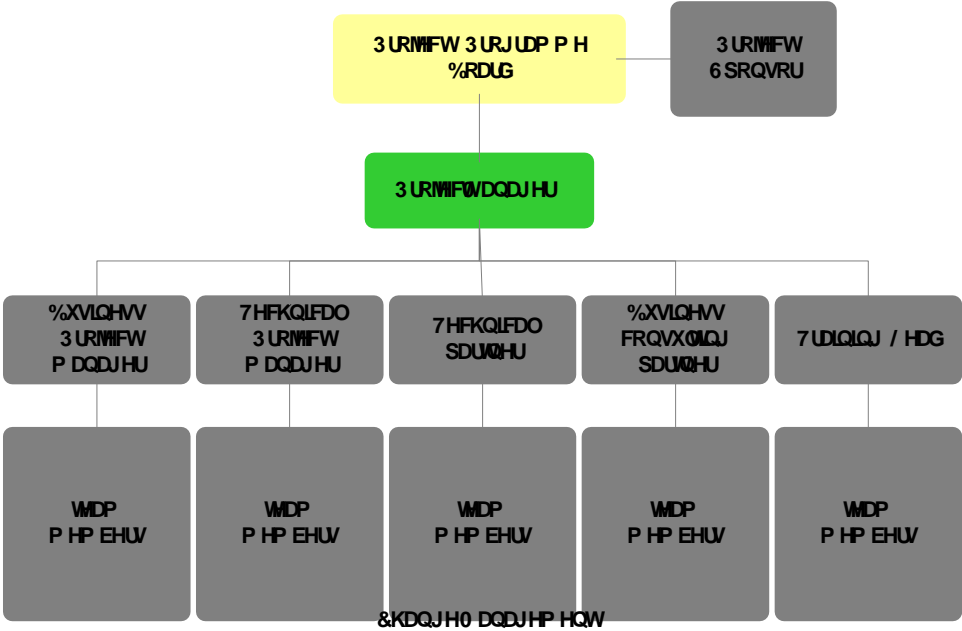
6.3   Benefits Realisation Approach

For the Council the implementation of new technology and processes will not be enough to guarantee that the expected benefits are realised. In order to achieve the vision and the levels of benefits described, Council management and staff must be engaged in the change and accept new ways of working and new employment situations. The level of benefits realised will depend on implementing new ways of working, creating a culture that will support the changes and helping staff to accept new ways of working as quickly as possible. This will require a combination of implementation, change management and programme management skills to create the environment that will enable the benefits to be achieved.

Therefore it is important that the benefits derived from the individual project workstreams are clearly identified, tracked and monitored against an overall programme plan to maximise the potential to realise benefits, by:

- understanding where and why benefits will arise.

- understanding who has the ability/control to actually realise the benefit.

- understanding the risks, dependencies and issues that may arise.

- adequately planning and supporting the business.

In order to ensure the timely delivery of the business benefits for each of the project workstreams, a formal approach to Benefits Management will be adopted which will facilitate the tracking of business benefits and their realisation.

A framework for benefits management and realisation is summarised in Figure 6.2 below which is based on the Office of Government Commerce (OGC) Managing Successful Programmes (MSP).

Figure 6.2

OGC Benefits Management Framework
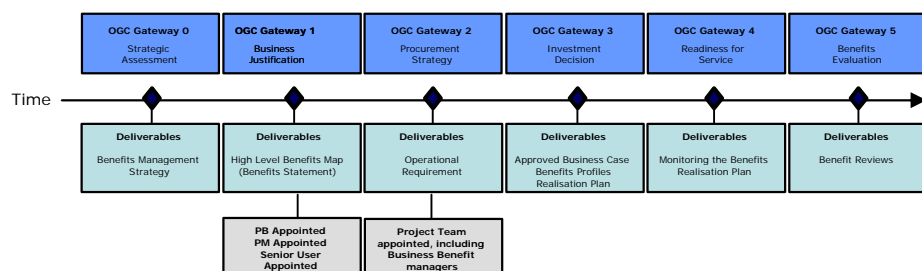
Source: Analysis based on OGC MSP Guidance

The proposed approach to Benefits Realisation builds on the OGC MSP approach illustrated above and involves the following stages:

- Setting the baseline.

- Defining benefits.

- Agreeing the benefits realisation strategy.

- Aligning the organisation.

- Measuring benefits and tracking performance.

- Managing benefits realisation related risks.

The following sections set out the activities to be undertaken at each stage of the benefits realisation process. The starting point for benefits realisation is the factors outlined in Section 4.4 above, but these will need to be expanded using the attached methodology during project implementation.

An updated benefits realisation plan will be presented to the Project Board as the implementation progresses.

6.3.1   Setting the Baseline

The steps undertaken to define the baseline include:

- Agreeing the detailed cost base and headcount by business area, including identification of the full range of personnel impacted by each workstream.

- Confirming the composition of the cost base in terms of breakdown of headcount by function (and in some cases job description) and grade.

- Collecting base data on output volumes.

It is important that the data is reviewed to identify and track changes to identify benefits already realised as part of other change initiatives.

6.3.2 Defining Benefits

There are a number of steps involved in defining benefits. These typically include:

- Clarifying the potential areas of the organisation impacted by any change (e.g. Finance, Business Support & Procurement).

- Confirming the strategy for the identification of benefits – broadly, the use of benchmarks as an initial approach to provide some comfort on the level of benefits, but subsequently to make use of more robust approaches such as activity monitoring.

- Developing a detailed understanding of how things work now (the "as is") by a combination of activity analysis, supplemented by a variety of other approaches (process mapping in some cases). The objective of this stage is to identify the scope for improvement both through the implementation of this project and also through making processes more efficient generally.

- Ensuring that all relevant benefits and dis-benefits have been taken into account. Dis-benefits may include one-off transitional costs of backfill staff to release resources for training in the new environment. It is important to be aware that, unless benefits are clearly identified up-front and Key Performance Indicators (KPIs) agreed to track performance, it is common for benefits to be ignored and as a result for projects to under-deliver against what was actually possible.

- Gaining local ownership of benefits, in order to ensure that management in each department or business area accepts the relationship between process change and resource reallocation;

- Linking benefits realisation to planning and budgetary processes.

- Confirming the probable benefits realisation strategy in terms of who owns each benefit, whether it will be realised in cash or not, etc.

6.3.3 Agreeing the Benefits Realisation Strategy

This stage will involve a number of important elements:

- Developing a matrix of benefits, with a defined owner, agreed key performance indicator(s) for each baseline measure, target by period (typically quarterly), plus a clear strategy for benefits realisation – in terms of whether to re-deploy staff, enhance service etc – and an assessment of the impact on revenue. This will be a critical activity, as it involves the identification of clear roles and responsibilities for both the common services team and the business areas.

- Testing the overall affordability of the project on the basis of the projected cashflow.

- Clarifying the process by which each category of benefit will be realised. In practice this means developing the relationship between process change, organisation redesign, role redesign, training or retraining needs, the performance management framework, re-deployment process, transition planning and risk management.

6.3.4 Aligning the Organisation

This step involves a number of elements:

- Local ownership of the benefits realisation plan must be built up through a process of jointly identifying and defining benefits, agreeing the baseline, then agreeing the relationship between process change and resource reallocation.

- Strategies for stakeholder involvement need to be developed, particularly in terms of how to engage the workforce and staff side representatives.

- Development of a capability or employment of an organisation to manage transfer, re-deployment, and (if required) voluntary redundancy and related activities. This is often an area which is ignored in initial planning, but the volume of activity required to calculate transfer values, pensions and redundancy payments can be enormous, and can if not managed correctly actually delay benefits realisation by many months. This will need to be planned in conjunction with the benefits realisation strategy.

- Allocation of roles and responsibilities for benefits realisation across all relevant stakeholders, linked to establishment of appropriate KPIs to measure their performance.

6.3.5 Measuring Benefits and Tracking Performance

This involves:

- The selection of appropriate KPIs to track progress on benefits realisation. This is likely to involve a variety of measures reflecting different responsibilities of the various key stakeholders involved.

- Identification of surrogate KPIs where it is difficult to measure the ideal KPI (for example where it is not cost-effective to collect transaction volumes).

- Establishment of reporting procedures, including the use of variance reporting against a variety of baselines, use of reason codes attached to variances, and also a procedure to reconcile project impact with overall Council performance.

- Agreement on data collection processes for selected KPIs that balance the need for accuracy against costs of collecting data.

- Confirmation of the baseline change control process to be followed. This needs to take account of business / activity volumes, the impact of other projects, initial errors in base data, etc.

- Identification and training of an appropriate group of Council staff with responsibility for benefits realisation, based on an agreed set of competencies.

6.3.6 Continuous Improvement

The benefits realisation process does not end at the completion of project implementation. The implementation should be viewed as putting in the foundations with a significant starting level of process improvements. In addition, over time, the Council should be able to build on these foundations to enhance and deliver further.

The benefits identified in the Business Case are only those that should be achievable at the point of implementation, or shortly afterwards. It should be noted the performance of organisations might actually decline slightly at the point of implementation as individuals become accustomed to new processes and technology and teething errors are resolved. Hence full benefits measurement should always be completed at the end of a suitable period after the point of implementation.

As part of the post implementation activities, responsibilities and an overall strategy for continuous improvement should be agreed to maintain the focus of benefits realisation within the organisation.

A map of the benefits identified to date for this project is included at Appendix 5.

6.4 Change Management

The proposed transformation project is all about change: changing structures; changing processes and changing systems. Failure to plan the management of these changes will invariably lead to project failure. Many transformation projects fail to realise the planned benefits because of failure to manage the change, particularly the "people" aspects of the change.

Planning effective strategies to manage vision creation; communication & involvement; stakeholder alignment; organisation design; training; HR transition; leadership and people management will be at the heart of any successful transformation project.

The change management activities required to ensure effectiveness can be represented in seven distinct components as follows:

- Equality.

- Change.

- Culture & Capability.

- Organisation Design.

- HR.

- Communication and consultation.

- Training.

Unless all seven components are focused on benefits, delivery may fall short of expectations, and the final structure will not support the business as planned. It is vital that these seven components are integrated with each other, and with the overall project plan, across all phases of the programme.

As outlined in section 6.2 programme governance and management arrangements above, a change stream should be maintained at programme level. This should have overall ownership of the change and communications /consultation components as well as providing a support and co-ordination function.

6.5   Risk Management Approach

The management of risk is a key part of any programme of this nature and forms an integral element of the project management methodology. The principle is that risks are the responsibility of those best placed to manage those risks.

The principal objective of risk assessment and management is to improve the understanding of the issues and problems that may affect the implementation and service delivery. This allows limited resources to be directed to manage and/or mitigate the risks.

This section outlines the approach to risk management that the project team will use, and identifies some of the key risks to the project. A Project Risk Register will be maintained and updated as the process progresses. The Project Risk Register will then continue to be used throughout the life of the project.

6.5.1   Risk Analysis and Management Overview

A risk factor is any uncertainty, event, influence, practice or other attribute of the project or its environment that could adversely affect the project's goals, technical performance, cost, or schedule.

Risk is defined as the combination of the probability of an event occurring associated with the impact of the occurrence of this event. In simple terms an event that impacts on the business, cost, schedule or technical performance may occur. This occurrence has an impact and a probability. Risk is a measure of the two.

Risk Management is an assessment of appropriate measures to contain risk to an acceptable level.

Risk management applies to the entire process of risk assessment and risk control. It includes these steps:

- Identification and documentation.

- Analysis and prioritisation.

- Mitigation and avoidance.

- Reassessment of risk and revising the Risk Management Plan.

The actions, that will be followed for each of these steps as the Project Risk Register is developed in greater detail, are set out in the following paragraphs.

6.5.2 Identification and Documentation

The project team will work with the project stakeholders to identify and agree all the components from which the risk analysis and management will be undertaken. Specific risks will then be identified and documented, the starting point being those risks outlined in Section 4.5 above. Each risk will be allocated to an owner within the project team. The stakeholders within the Council who have an interest in each risk will be consulted throughout the risk management process and will be expected to explicitly accept their responsibilities within the risk management process.

The aims in this stage will be to:

- Identify, as exhaustively as practicable, all significant types and sources of risk and uncertainty associated with each phase of the project and the key parameters relating to the overall project objectives.

- Ascertain the potential cause(s) of each risk.

- Assess how the risks are related to other risks and how risk should be classified and grouped by both type and owner for evaluation.

The process of searching for and responding to risk is iterative throughout the lifecycle of the project. It will be important to establish at this stage the baseline against which risks will be measured and assessed so that a clear starting point is documented for the project. This will help make monitoring and also post project evaluation easier.

6.5.3 Analysis and Prioritisation

For each identified risk which is significant or potentially significant an assessment in the first instance will be made both qualitatively and quantitatively and approximate values will be applied for the:

- Likelihood of the risk occurring per unit of time or some other appropriate unit.

- Potential consequences should the risk occur.

- Most likely frequency of its occurrence during the life cycle of the project.

- Likely timing of its impact.

After potential risks are identified, the purpose of risk analysis and evaluation is to determine the relative exposure in terms of business exposure to all parties, time, cost and quality so that risks can be prioritised in importance. Risk evaluation will therefore be concerned not only with identifying risks, but also with reducing risks to an acceptable level through implementation of preventative, contingency and mitigation actions.

A key benefit is not in itself the quantification of risks as the values may be dependent upon a number of subjectivities. What is important is the process of understanding the risks, thinking through the possible impacts and the relative importance of risks to each other.

6.5.4   Mitigation and Avoidance

The project team will develop a detailed Risk Management Plan which will include measures and an associated strategy for mitigating each risk, together with monitoring arrangements so the project team can be aware when risks start to occur, or are increasingly likely to occur. Mitigating risks, or lessening their adverse impacts, is key to effective risk management. Risks can be:

- Reduced or eliminated within the project.

- Transferred to the party best able to manage them.

- Avoided through effective project design and management.

The project team will also need to work closely with the supplier(s) selected to deliver elements of the project and the Project Risk Register will be expanded to be a joint risk register.

6.5.5   Reassessment of Risk and Revising the Risk Management Plan

The project will move through its different phases as set out in the project plan. At the same time the external environment will be continuously changing. Risk management is therefore to be seen as a dynamic process and the Risk Management Plan will be reviewed on a regular basis, together with wider reviews to capture new risks that had not previously been identified.

6.5.6   Implementation of Risk Management in the Project

The approach to risk management, which is summarised here, will be documented and agreed in a Risk Management Plan as the project develops. The Project Risk Register will then be developed in greater detail, which documents the risks, their probability of occurrence, the impact to the Council / the project / the overall transformation programme, cost and schedule, the risk tolerance bounds, the mitigation action(s), and the reassessment point or the frequency at which the risk will be monitored. This Project Risk Register will be continuously updated throughout the project.

The impact to the project of each risk will be assessed and controlled by the owner at the appropriate level and reviewed formally and regularly by the project managers. Formal reviews, ad hoc intervention and actions on project risks will take place at project board level, where appropriate.

The Oracle Transformation Project is one of a number of major initiatives affecting the Council. The Risk Management Plan and Project Risk Register will also need to be linked to the management of risks in any related projects.

6.6 Project Plan

The detailed project plan is outlined below. This shows that the system will be available for Go-Live by the end of January 2010. However, due to the difficulties associated with implementation partly through a financial year, it is anticipated that Go Live will be April 2010.

Figure 6.3
Project Plan

WMBC Implementation Plan	Oct 08 - Dec 08	Jan 09 - Mar 09	Apr 09 - Jun 09	July 09 - Sept 09	Oct 09 - Dec 09	Jan 10 - Mar 10	Apr 10
Stages of main project							
Procure implementation partner							
Vision and Plan							
Design							
Build & Test							
Deliver							
Post go-live support							
Procure implementation partner							
Procure implementation partner							
Planning							
PMO Set-up							
Planning activities							
Design							
Detailed design							
Design validation							
Design sign-off							
Procurement							
Procure software							
Procure hardware							
Common services team set up							
Organisation design and implementation							
Recruitment							
Build							
Chart of accounts & coding structures							
Procure to pay							
Customer invoicing							
General ledger and treasury							
Budgeting and Reporting							
Accommodation preparation							
Test							
System testing							
Integration testing							
User acceptance testing							
Go / no-go decision							
Deliver							
Readiness assessment							
Transfer data							
Go / no-go decision							
Cut-over and go-live							
Post production support							
Data migration							
Migration planning							
Data cleansing							
Data conversion							
Testing							
Training							
Planning							
Agree strategy							
Needs analysis & refine planning							
Design training							
Develop materials							
Deliver training							
Training handover							
Project management							
Manage project							
Manage change							
Manage communications							

6.7 Resource Requirements

The resources required to deliver the project are detailed below. This shows a significant requirement for Council resource (4,523 man days) over the period October 2008 – March 2010 (approximately 14 WTEs). It should be noted that in order for this project to be successful, staff with the appropriate skills and capabilities will need to be selected for this project. Failure to do so is likely to lead to severe delays and increased costs to the project.

Figure 6.4
Resource Requirements

Resource Role	Resource Type	Organisation Type	Mandays Exculding Holidays
			7451.5
Programme Sponsor	*Internal*	c	0
Business Lead - Finance	*Internal*	c	0
Business Lead - Business Support	*Internal*	c	0
Business Lead - Procurement	*Internal*	c	0
HR Lead	*Internal*	c	0
Programme Manager	Internal	c	340
PMO	Internal	c	340
PMO	Internal	c	340
Business Change Project Manager	Internal	c	340
Senior Transformation Consultant	External	BC	88
Implementation Delivery Project Manager	Internal	C	340
Business Change Lead	Internal	C	330
Oracle Design Consultant 1	External	IP	162
Oracle Design Consultant 2	External	IP	162
Oracle Design Consultant 3	External	IP	302
Finance Lead (AP)	Internal	c	302
Finance Lead (AR, CM and Treasury)	Internal	c	302
iPurchasing Lead	Internal	c	302
Business Analyst 1	External	IP	80
Business Analyst 2	External	IP	80
Business Analyst 1	Internal	c	302
iPurchasing Analyst 3	Internal	c	215
Delivery Manager	External	IP	250
Migration Consultant 1	External	IP	185
Migration Lead	Internal	c	270
Interface Consultant 1	External	IP	205
Interface Lead 2	External	c	250
Report Consultant 1	External	IP	105
Report Consultant 2	External	IP	330
Internal Report Lead	Internal	c	330
Design & Build Consultant 1	External	IP	222
Design & Build Consultant 2	External	IP	212
Testing Lead	Internal	c	120
DBA	External	IP	153.5
Training Manager	External	T	196
Training Consultant 1	External	T	196
Infrastructure support	Internal	c	100

BC - Business Consultancy
IP - Implementation Partner
T - 3rd Party Training
C - Walsall Council

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Appendix 1

Enhanced Functionality of Oracle R12

R12 New and Enhanced Modules

Oracle iProcurement
- Enhanced Catalog Authoring
- Difference Summary for Catalog Changes
- Unified Catalog
- Approval, Revision Control and Archive for Catalog Data
- Content Security
- Advanced Approval Support
  - Position Hierarchy based Approvals
  - Parallel Approvals
  - Support for FYI Notifications
  - Graphical Display of Approval Chain
- Enhanced Requester Driven Change Order Management
- Requester Directed Sourcing
- Support for Multiple Favourite Lists
- Confirm Receipt Enhancements
- Multiple Search Result Layouts
- Multiple Search Result Layouts
- Contractor Support in iProcurement
- Work Confirmation Support

Oracle Purchasing
- Professional Buyer's Work Centre
  - Requisition Management
  - Purchase Order Creation and Maintenance
  - Purchase Agreement Creation and Maintenance
  - Negotiations in Oracle Sourcing
  - Enhanced Catalog Access
  - New Supplier Setup User Interface
  - Document Styles
- Procurement for Complex Services
- Multi-Org Access Control (MOAC)
- E-Business Tax
- Document Publishing Enhancements
  - Support for RTF and PDF layout templates
  - Publish Contracts using user specified layout
- Communicate Document Attachments to Suppliers
- Oracle Supplier Network - Rapid Supplier Enablement
- Maintain Sourcing Rules/ASLs for Agreement Items
- Support for Contractor Purchasing Users
- Compliance to Packaging Constraints
- Auto-Approval Tolerance for Change Orders
- eAM Support for Services Procurement
- Model Complex Pricing for Blanket Line Items
- Advanced Approval Support for Requisitions
  - Position Hierarchy based Approvals
  - Parallel Approvals
  - Support for FYI Notifications
- Subledger Accounting for Budgetary Control Actions

- New User Interface for Oracle Purchasing Setups
- Chargeable Subcontracting
- Support for Unified Process Manufacturing/Discrete Inventory
- Dual Unit of Measure Control
- Material Status Control
- Sublot Control
- Depot Repair Enhancements

General Ledger
- Accounting Setup
  - Simultaneous Accounting for Multiple Reporting Requirements
  - Centralized Accounting Setup
  - Enhanced Reporting Currency Functionality
- Improved Processing Efficiency
  - Simultaneous Data Access to Multiple Legal Entities and Ledgers
  - Simultaneous Opening and Closing of Periods for Multiple Ledgers
  - Cross-Ledger and Foreign Currency Allocations
  - Simultaneous Currency Translation of Multiple Led
  - Financial Reporting Across Ledgers
  - Automatic Journal Copy
  - Streamline Automatic Posting
  - Streamline AutoReversal Criteria Setup
  - Streamline Consolidation Mappings
  - Replacement for Disabled Accounts
- Data Security
  - Data Security across Legal Entities and Ledgers
  - Management Reporting Security
  - Prevent Reversal of Journals with Frozen Sources
  - Prevent Reversal of Unposted Journals
  - Control Accounts
  - Definition and Setup Security
- Auditability
  - Accounting and Reporting Sequencing
  - Journal Line Reconciliation
- Others
  - Entered Currency Reporting and Analysis
  - Foreign Currency Recurring Journals
  - Intercompany Balancing Support for Encumbrances
  - Enhanced Intercompany
  - Account Analysis and Drilldown
  - GL Standard Reports Integration With XML Publisher

Sub-Ledger Accounting – New Product
- Journal Entry Setups
- Date Effective Application Accounting Definitions
- Multiple Accounting Representations
- Summarization Options
- Draft Accounting
- Online Accounting
- Replacement for Disabled Accounts

- Process Category Accounting
- Straight Through Accounting Processing
- On-line inquiries
- Journal Entry Sequencing
  - Accounting Sequencing
  - Reporting Sequencing
- Third Party Merge Accounting
- Manual Journal Entries
- Third Party Control Accounts
- Transaction Account Builder
- Multi-period Accounting
- Accrual Reversal Accounting
- Business Flows
- Accounted and Gain/Loss Amount Calculations
- Application Accounting Definitions Loader
- Errors Accounting and Reporting
- Enhanced Reporting Currency Functionality
- Diagnostics Framework

Oracle Legal Entity Configurator
- Oracle Legal Entity Configurator
- Legal Authorities and Jurisdiction
- Legal Date Tracking and Auditing

Oracle Advanced Global Intercompany System
- Intercompany Balancing
- Intercompany Invoicing
- Intercompany Reconciliation
- Manual Intercompany Transactions

Oracle Advanced Collections
- Multi-Org Access Control
- Uptake of Cross-Operating Unit Initiative
- Consolidation of Collections Functionality into Advanced Collections
- New Implementation Checklist and Setup Screens
- Improved Payment Processing and Customer Funds Capture
- Use of Oracle Territory Management to Define Collection Territory Hierarchy
- AR 'Collector' Field and Extension to Territory Management
- XML Publishing Technology for Collections Correspondence
- Configurable Metrics
- Aging-based Dunning Plans
- Collections Best Practices
- Filterable Bali Tables
- Consolidated Collections with Lease Contracts or Loans
- Search Tool Enhancements
- Enhanced Scoring Capability
- Automatic Strategy Changing

Oracle Payables
- Legal Entity

- Multi-Org Access Control
- Representation of Suppliers in the Trading Community Architecture (TCA)
- New User Interface for Supplier Entry and Maintenance
- Introduction of Invoice Lines
- Invoice Processing for Contract Financing, Retainage, and Progress Terms
  - Financing: Advances and Progressive Contract Financing
  - Retainage and Retainage Release
  - Invoices for Progress
- Enhanced Invoice Approval Includes Line Level Approval
- Non PO Invoices Entered via iSupplier Portal
- Collaboration with Suppliers to Resolve Disputes
- Oracle E-Business Disbursement Requests
- Enhancements to Payment Banks, Branches, and Accounts
- Payment Process Enhancements
  - Toolset for the Payment Manager
  - More Robust and Flexible Payment Processing Engine
- Accounts Receivable / Accounts Payable Netting

Oracle Payment
- Advanced and Highly Configurable Formatting Framework
- Flexible Validation Model
- Secure Payment Data Repository
- Improved Electronic Transmission Capability
- Flexible Support for Various Business Payment Models
- Enhanced Disbursement Process
- Enhanced Electronic Payment Processing
- Configurability of Find Disbursement Process
- Payment Processing User Interface
- Enhanced Check Printing Process
- Migration of Global Features to Central Engine
- Consolidation of Payment Formats
- Improved Remittance Advice Reporting
- Enhanced Configurability of Fund Capture Processing
- Improved Support for Credit Card Security Features
- Enhanced Payment Processing User Interface
- PINless Debit Card Transaction Support
- Improved Payer Notification of Settlement
- Direct Debit Enhancements
- Improved Batch Settlement Performance

Oracle Receivables
- Revenue Management Enhancements
  - Partial Period Revenue Recognition
  - Revenue Deferral Reasons
  - COGS and Revenue Matching
  - Enhanced Payment-Based Revenue Recognition
- Line Level Cash Applications
- Funds Capture Enhancements Uptake
- Refunds Enhancements
- Credit Card Error Handling
- Credit Card Chargebacks
- Deduction Management

- Balance Forward Billing
- Late Charges
- Customer Standard User Interface Redesign
- Multi-Org Access Control
- E-Business Tax
- Legal Entities
- Subledger Accounting
- Receivables Reconciliation Enhancements
- Additional Bills Receivable Reference Field
- Collections Workbench Obsolescence
- Bills of Exchange Obsolescence
- Trade Accounting Obsolescence
- AP/AR Netting
- Golden Tax Adaptor for Mainland China

Oracle Cash Management
- Bank Account Model
- Multi-Org Access Control
- Subledger Accounting
- Bank Account Balances and Interest Calculation
- Bank Account Transfers
- Cash Pooling
  - Self-Initiated Physical Cash Pools
  - Bank-Initiated Physical Cash Pools, or Zero Balance Accounts
  - Notional Cash Pools
- Bank Statement Accounting
- Bank Account Signing Authorities
- Cash Positioning Intra-day Activities

Other new modules or enhanced modules include:
- **Oracle E-Business Tax**
- **Oracle Bill Presentment Architecture**
- **Oracle Credit Management**
- **Oracle Enterprise Performance Foundation**
- **Oracle Financial Consolidation Hub**
- **Oracle Financial Services Accounting Hub (FSAH)**
- **Oracle Internal Controls Manager**
- **Oracle Internet Expenses**
- **Oracle iReceivables**
- **Oracle Loans**
- **Oracle Assets**
- **Oracle Profitability Manager**
- **Oracle Public Sector Budgeting**
- **Oracle Public Sector Financials**
- **Oracle Transfer Pricing**
- **Oracle Treasury**

Walsall Council

Appendix 2

Detailed Costs of Options

Walsall Council

Description	£'000s	Make-Up
Option 1 – Do Nothing		
Baseline Staff Costs	2,898	Finance – per information return (less 2 posts saved in 2008/9 = £60k)
	2,240	Financial Admin – per information return (less 2 posts saved in 2008/9 = £40k)
	648	Corporate Procurement – per information return
	408	Service Line Procurement – information collated from service managers
	62	Admin (Children's) – per information return
	213	Admin (Social Care) – per information return
	259	Overhead @ 4%
	6,728	**Total**
Baseline IT Costs	328	Oracle Licences (per IT Return)
	267	Internal Support (per IT Return)
	51	Paytech (per IT Return)
	671	Hardware (per IT Return)
	1317	**Total**
		Note from Year 1 onwards, Hardware costs of £671k per annum have been removed due to the new infrastructure being in place
Migration Costs re New Hardware	500	Estimate developed by Council's IT Department
Capital Costs – Hardware & Infrastructure	94	8 x T2000 8 core 1.2 GHz
	3	1xT1000 8 core 1.0GHz
	2	1xT1000 6 core 1.0 GHz
	88	Netbackup Shared Storage Option
	342	Netapp San Kit
	2	Installation Tape Drive
	10	Installation Symantec Cluster
	541	**Total**
Capital Costs – Software Licences	117	8 CPU Licences

Capital Costs - Contingency	91	5% of migration costs and 10% of IT Costs
Revenue Costs – Hardware Support & Maintenance	67 7 4 **78**	5 year Platinum Support 5 year Gold Support 5 year Gold Support **Total**
Revenue Costs – Software Support & Maintenance	25	Support for 8 CPU Licences
Additional Training	28 20 **48**	VCS Course (10 attendees) Solaris Course (10 attendees) **Total**
Option 4 – Implement R12		
Baseline Staff Costs	2,898 2,240 648 408 62 213 259 **6,728**	Finance – per information return (less 2 posts saved in 2008/9 = £60k) Financial Admin – per information return (less 2 posts saved in 2008/9 = £40k) Corporate Procurement – per information return Service Line Procurement – information collated by Dan Grayson from service managers Admin (Children's) – per information return Admin (Social Care) – per information return Overhead @ 4% **Total**
Baseline IT Costs	328 267 51 671 **1317**	Oracle Licences (per IT Return) Internal Support (per IT Return) Paytech (per IT Return) Hardware (per IT Return) **Total** **Note from Year 1 onwards, Hardware costs of £671k per annum have been removed due to the new infrastructure being in place**

Walsall Council

Implementation Costs		As per Council's Implementation Plan
	132	Business Consultancy Days = 88 @:£1,500 (1.1% of days)
	1,714	Implementation Partner Days = 2449 @ £700 (32.86% of days)
	1,013	Walsall Council Days = 4523 @ £224 (60.7% of days)
	2,859	**Total Days 7,452 (Including 392 in training)**
Capital Costs – Hardware & Infrastructure	126	8 x T2000 8 core 1.2 GHz
	3	1xT1000 8 core 1.0GHz
	2	1xT1000 6 core 1.0 GHz
	111	Netbackup Shared Storage Option
	342	Netapp San Kit
	2	Installation Tape Drive
	10	Installation Symantec Cluster
	596	**Total**
Capital Costs – Software Licences	117	8 CPU Licences
	4	5 additional Purchasing Licences
	286	300,000 additional lines iProcurement
	12	10 additional Procurement Contract Licences
	25	5 Treasury Licences
	250	500 Hyperian Licences
	694	**Total Licences**
Capital Costs - Contingency	272	5% of Implementation Costs and 10% of IT Costs
Revenue Costs – Hardware Support & Maintenance	90	5 year Platinum Support
	7	5 year Gold Support
	4	5 year Gold Support
	101	**Total**
Revenue Costs – Software Support & Maintenance	25	Support for 8 CPU Licences
	1	Support to 5 additional Purchasing Licences
	67	Support to 300,000 additional lines iProcurement

	3	Support to 10 additional Procurement Contract Licences
	5	Support to 5 Treasury Licences
	55	Support to 500 Hyperian Licences
	62	1 Additional DBA
	98	2 Additional Developers
	74	3 Additional Helpdesk staff
	390	**Total**
Additional Training	118	Third Party Training Days = 392 @ £300)
	28	VCS Course (10 attendees)
	20	Solaris Course (10 attendees)
	55	Hyperion planning and Hyperion EssBase Course (10 attendees)
	221	**Total**
Redundancy Costs	179	Based on the cost to savings ratio for the 2006/07 FTE reduction in Business Support
Efficiencies		
Financial Admin	556	Based on detailed analysis by Financial Administration Managers – 65% achieved in year 1
Finance	262	Based on detailed analysis by Finance Managers – 65% achieved in Year 1

Walsall Council

Appendix 3

Discounted Costs

Walsall Council

Option1

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Baseline								
Baseline staff costs	3,364	6,728	6,728	6,728	6,728	6,728	6,728	43,732
Baseline IT costs	659	1,317	647	647	647	647	647	5,208
Total baseline	4,023	8,045	7,375	7,375	7,375	7,375	7,375	48,941
DCF on baseline	4,023	7,773	6,884	6,651	6,426	6,209	5,999	43,966
Savings								
Staff efficiencies								0
Non-staff savings								0
Improved governance savings								0
Total Savings	0		0	0	0	0	0	0
Adjusted baseline								
Adjusted baseline	4,023	8,045	7,375	7,375	7,375	7,375	7,375	48,941
DCF on adjusted baseline	4,023	7,773	6,884	6,651	6,426	6,209	5,999	43,966
Investment								
Capital investment	0	1,250	0	0	0	0	0	1,250
Revenue investment	0	0	151	103	103	103	103	564
Total Investment	0	1,250	151	103	103	103	103	1,813
DCF on investment	0	1,207	141	93	90	87	84	1,702
NPV								
Total Cost / Saving	4,023	9,295	7,525	7,478	7,478	7,478	7,478	50,754
Discount factor @ 3.5%	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	
DCF @ 3.5%	4,023	8,980	7,025	6,745	6,516	6,296	6,083	45,668

Walsall Council

Option 4c

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Baseline								
Baseline staff costs	3,364	6,728	6,728	6,728	6,728	6,728	6,728	43,732
Baseline IT costs	659	1,317	647	647	647	647	647	5,208
Total baseline	4,023	8,045	7,375	7,375	7,375	7,375	7,375	48,941
DCF on baseline	4,023	7,773	6,884	6,651	6,426	6,209	5,999	43,966
Savings								
Staff efficiencies			531	818	818	818	818	3,802
Non-staff savings			21	33	33	33	33	152
Improved governance savings			0	0	0	0	0	0
Total Savings	0		553	850	850	850	850	3,954
Adjusted baseline								
Adjusted baseline	4,023	8,045	6,822	6,524	6,524	6,524	6,524	44,986
DCF on adjusted baseline	4,023	7,773	6,368	5,884	5,685	5,493	5,307	40,534
Investment								
Capital investment	1,074	3,346	0	0	0	0	0	4,420
Revenue investment	10	108	700	563	491	491	491	2,853
Total Investment	1,084	3,454	700	563	491	491	491	7,273
DCF on investment	1,084	3,337	654	508	428	413	399	6,823
NPV								
Total Cost / Saving	5,107	11,499	7,522	7,087	7,015	7,015	7,015	52,260
Discount factor @ 3.5%	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	
DCF @ 3.5%	5,107	11,110	7,022	6,392	6,113	5,906	5,707	47,357

Appendix 4

Metrics for Oracle Financials and iProcurement Systems

Walsall Council

User Metrics	Current	Expected
Total number of users	1,215	1435
Maximum number of concurrent users	304	359
Number of users accessing iProcurement	1,051	1,200 – 1,400
Number of users accessing Purchasing (PO)	16	21
Number of users accessing AP Invoices	253	260
Number of users accessing Payments	15	15
Number of users accessing AR Invoices	211	250
Number of users processing receipts	10	10
Number of users accessing GL	346	346
Number of users accessing system only for Reporting	10	20
Number of users using Oracle Discoverer	50	10

Transaction Metrics (Monthly)	Current	Expected
Average number of Journal Transfers	1,119	1,200 (inc. internal trading)
Average number of iProcurement Requisitions	2,255	10,000
Average number of Purchase Orders	2,083	15,000
Average number of AP Invoices	21667	20,000
Average number of Payments	6404	7,000
Average number of AR Invoices	2,292	2,500
Average number of Receipts	2,394	2,500
Average number of GL Journals	1,119	1,200
Number of records transferred to and from Trent in GL AP	9,024	9,000
Average number of records created by following programs: IMP in GL IMP in AR FISCOM in AP NURCIS in AP BO Pay in AP	482 1391 125	500 1400 130

Walsall Council

BO Fee in AP	158	160
LOANS in AP	10	10
EAT in AP	-	-
SAVE in AP	614	620
SX3 (CTAXTOAP) in AP	540	550
SX3 (BRATESTOAP) in AP	238	250

Standing Data Information	Current	Expected
Number of Suppliers	59,572	50,000
Number of Customers	23,219	25,000
Number of Supplier Banks	9,833	20,000
Number of Customer Banks	4,520	10,000
Number of Internal Banks	7	7
Total number of Requisitions in system	119,434	720,000
Total number of Purchase Orders in system	125,416	1,080,000
Total number of AP Invoices in system	947,957	5,760,000
Total number of AR Invoices in system	102,268	180,000
Total number of GL Journals in system	13,428	86,400
Total number of each accounting code in system	537 st 13560 cc 2373 subj	6 Fields (Max 28 digits)
Total number of accounts in system	16,638 GL combinations	12,000

Appendix 5

Benefits Map

Walsall Council

New target operating model and processes

Oracle release 12 (Financial & e-Proc)

Common services team

Interface to single social care system

New interfaces

Hyperion reporting tool

New internal support capability

Improved standardisation of operating processes (A)

Improved standardisation of management reporting (B)

More widespread use of the iProcurement solution (C)

Increased % of invoices that can be matched to a purchase order (D)

Reduced time to process both AR and AP invoices (E)

Reduced time to authorise and approve invoices (F)

Improved commitment recording (G)

Reduced days required to close period and prepare management reports (H)

Reduced time to carry out budgeting cycle (I)

Enhanced system capability to assist budgeting process (J)

Improved access to more up to date budgeting information (K)

Improved information (L)

Improved compliance with procurement procedures (M)

Improved standardisation

Increased efficiency

CSR targets

Improved flexibility

Improved compliance & governance

Service quality

Oracle Finance and Procurement Transformation Project
Business Vision and Target Operating Model

Version   Final Version
Date   16 April 2008

Document Summary

Client:	Walsall Council
Document Title:	Business Vision and Target Operating Model
Author:	Jenny Small
Approval Body:	Walsall Project Board
Document Location:	E-Room

Document History

Version	Date Issued	Reason	Amended By
0.1	23 January 2008	Internal Review	Bill Hall
1.0	28 January 2008	Review by Project Board	Jenny Small
2.0	11 February 2008	Updated Version for Review by Project Board	Jenny Small
3.0	10 March 2008	Contract Monitoring Now Included	Sunil Aggarwal
4.0	8 April 2008	Updated re Contract Monitoring and costs of TOM	Sunil Aggarwal and Jenny Small
5.0	16 April 2008	Final Version	Approved by Project Board

Document Distribution

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Patrick Barr	Deloitte Senior Consultant	Deloitte

Contents

1	Introduction

2	Overview of Project Objectives

3	Current Operating Model and Associated Issues

4	Future Operating Model and Principles

1 Introduction – Overview of Project

Background

- As part of Walsall Council's transformation agenda, an ICT transformation Strategy was commissioned in Summer 2006
- One of the recommendations arising from this was that the Council address a number of issues with their Oracle Financials and iProcurement systems
- Deloitte were subsequently commissioned to undertake a number of reviews and their work highlighted a number of themes in the Oracle implementation:
  - lack of process engineering in the original implementation;
  - under-resourced support model with under-resourced processes;
  - Inadequate technical infrastructure and
  - poor third party management
- The overall recommendation on the way forward was to undertake a detailed planning phase to develop the following:
  - target operating model and business vision for the Oracle project;
  - business case (Oracle specific); and
  - Oracle business requirements.

Aims and Objectives of Finance & Procurement Transformation Project

The Finance & Procurement Transformation Project has been formed in response to the Deloitte reviews. The aims of this project are to:

- document the current transactional operating model for finance and procurement, and identify the weaknesses with this model;
- consider how the finance and procurement functions can be organised to deliver greater business efficiency and effectiveness, providing higher value solutions, and to identify the vision and optimum operating model to be taken forward;
- identify the costs of current service delivery and the savings that can be achieved from implementation of the agreed operating model;
- produce a business case that outlines the costs, benefits and risks of delivering a solution that meets the business needs of the Council;
- understand the high level functional (business) requirements for the solution to guide the project planning resources and provide a framework for outlining the design to operation phases;
- understand non-functional (technical) requirements for the solution to support a formal procurement of the hardware including defining the procurement route of the end solution.

Current Product

- This product is Product 2: Target Operating Model and Business Vision.
- The purpose of this product is to outline the future vision and target operating model for the Oracle Finance & Procurement Transformation Programme.

Project Scope

The project will review the processes currently undertaken by the following business units in respect of finance and procurement:

- Finance;
- Business Support; and
- Procurement.

Key activities within the scope of the review include:

- Planning and budgeting (excluding budget setting methodology);
- Management reporting;
- Customer invoicing and debt collection;
- Procure to pay;
- General ledger accounting; and
- Treasury management/cashflow management.

In a subsequent change to the terms of reference, contract monitoring was added to the scope of the review

It should be noted that achievement of some of the efficiencies identified by this review will be dependent on the information coming from social care systems. The nature of such systems is outside the scope of this review

2 Objectives Identified for Oracle Project

- The Project Board for the Finance & Procurement Transformation Project has identified a number of objectives for the project as outlined below:

  – To improve the quality of services provided to users of the Finance and Procurement functions by providing on-line access to user friendly systems, reducing reporting times, and making systems more responsive

  – To reduce the cost of the transaction processing functions within the scope of the review (Finance, Business Support and Procurement), thereby releasing resources to front-line services

  – To help the Council achieve efficiency targets arising from CSR 2007

  – To ensure that governance and accountability arrangements are maximised within the Council, with compliance with Council financial procedures being mandatory

  – To improve the efficiency of the finance and procurement processes by introducing standardised processes, maximising customisation and reducing reliance on manual intervention

  – To ensure that the new Oracle systems are implemented in a flexible manner that can adapt to any changes in future organisational arrangements within the Council

3 Current Operating Model - Current Organisational Arrangements for Finance and Procurement

The table below gives a high level representation of the services currently provided by each business unit in relation to Finance and Procurement Services. This shows that a number of business units, spanning a range of Functional Areas, are currently involved in the delivery of these services. It should be noted that due to the difficulty in identifying the costs incurred by service areas in finance, procurement and contract monitoring activities, these costs have been excluded.

Business Unit	Services Provided in relation to the following workstreams	FTE utilised in service provision	Cost of service provision (£)
Finance	Procure to Pay	3.89	94,656
	Accounts Receivable	4.82	126,417
	Budgeting & Management Reporting	30.49	1,026,510
	General Ledger & Treasury Management	12.74	413,186
	Management/Out of Scope	32.57	1,297,026
		84.51	2,957,795
Financial Administration (contained in Business Support)	Procure to Pay	37.23	851,901
	Accounts Receivable	32.45	727,811
	Management/Out of Scope	24.04	700,743
		93.72	2,280,455
Corporate Procurement	Procure to Pay	1.02	47,493
	Out of Scope	14.98	600,055
		16.00	647,548
Overhead @ 4%			**235,432**
Total		**194.23**	**6,121,230**

Further detail on the services provided by each of these business units by workstream is included below
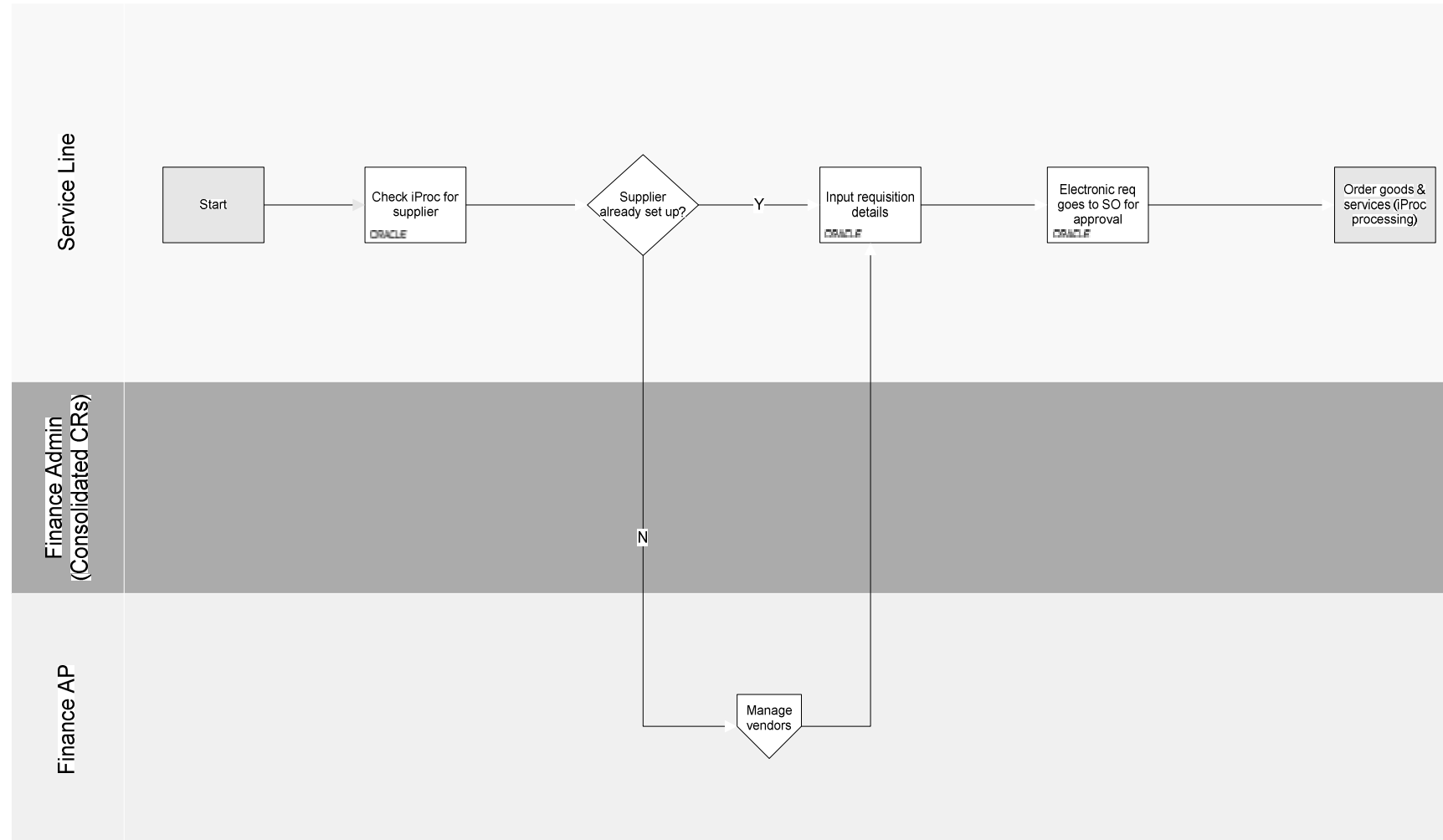
3 Current Operating Model – Existing Procure to Pay Organisational Arrangements

| Key Task	Central Finance	Financial Admin	Corporate Procurement	Service Lines	Total
Procure to Pay					
Total FTEs	3.89	37.23	1.02	0.00	42.14
Total Cost	94,656	851,901	47,493	0	994,050
Development of procurement strategy, policy and procedures			●	●	
Negotiating and Managing Contracts			●	●	
Monitoring Contracts			●	●	
Creating and Maintaining Supplier Catalogues			●		
iProc Administration			●		
Vendor Management - generating requsts for change to master data				●	
Vendor Management - processing of changes to master data requests	●				
Generation and approval of Purchase Requisiitons on iProc				●	
Generation of Manual Purchase Requisitions				●	
Input of Manual Purchase Requisitions onto iProc		●			
Generattion of approved iProc Purchase Orders and Management of Requisition Pool			●		
Forwarding of approved iProc Purchase Orders to suppliers		●		●	
Generation of Manual Purchase Orders and Forwarding to Suppliers				●	
Creation of invoices and payments in AR re overpayments by customers		●			
Receive Goods and Services and Receipt on iProc				●	
Receipt and Approval of Invoices		●		●	
Payment of Suppliers	●	●			
Generation of Internal Trading Requisiiton				●	
Generation of Internal Orders (manual) and forwarding to internal supplier		●			
Preparation and Processing of Journals to enable payment for Internal Trading		●		●	

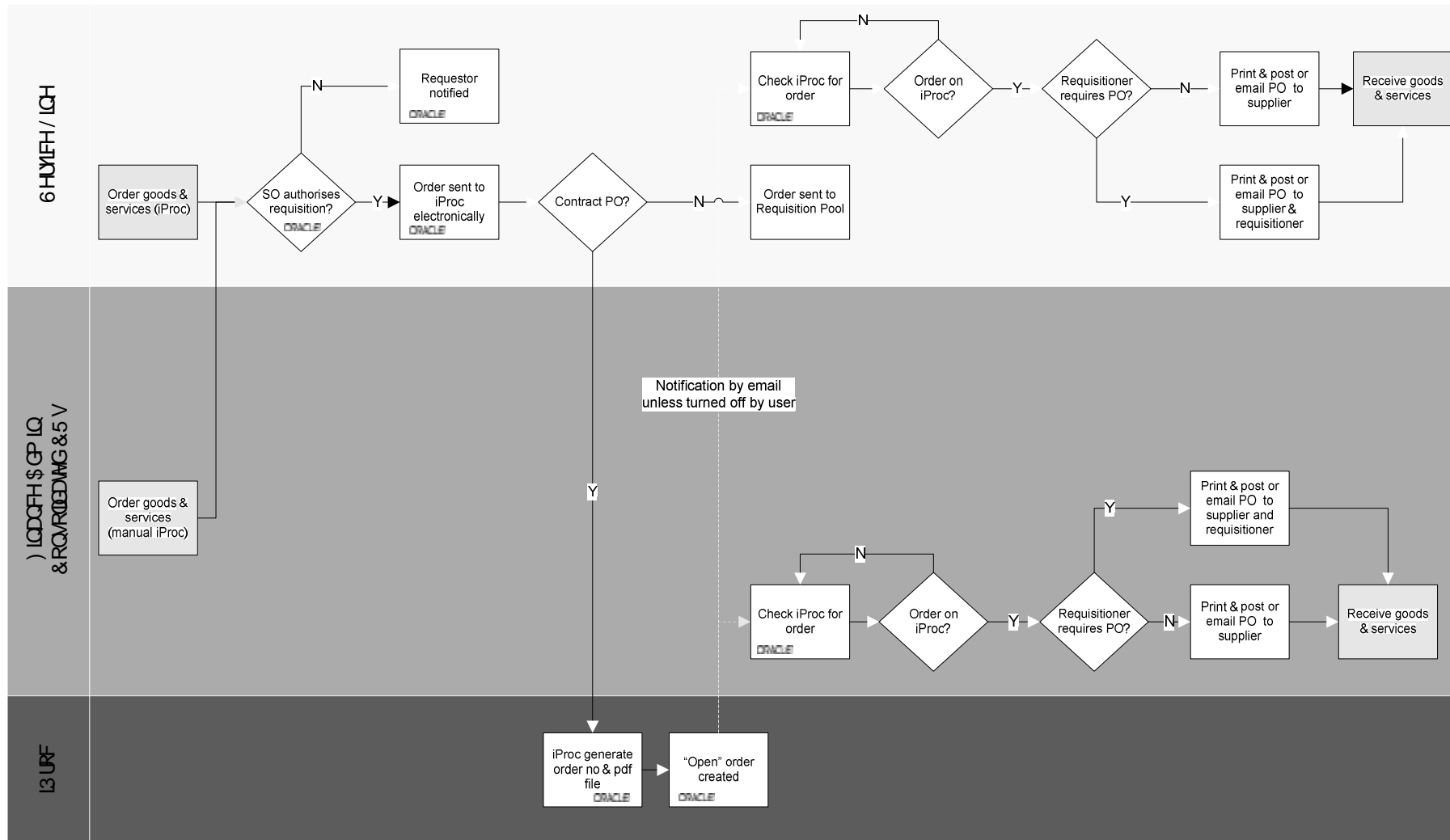# 3 Current Operating Model – Existing Procure to Pay Processes (1)
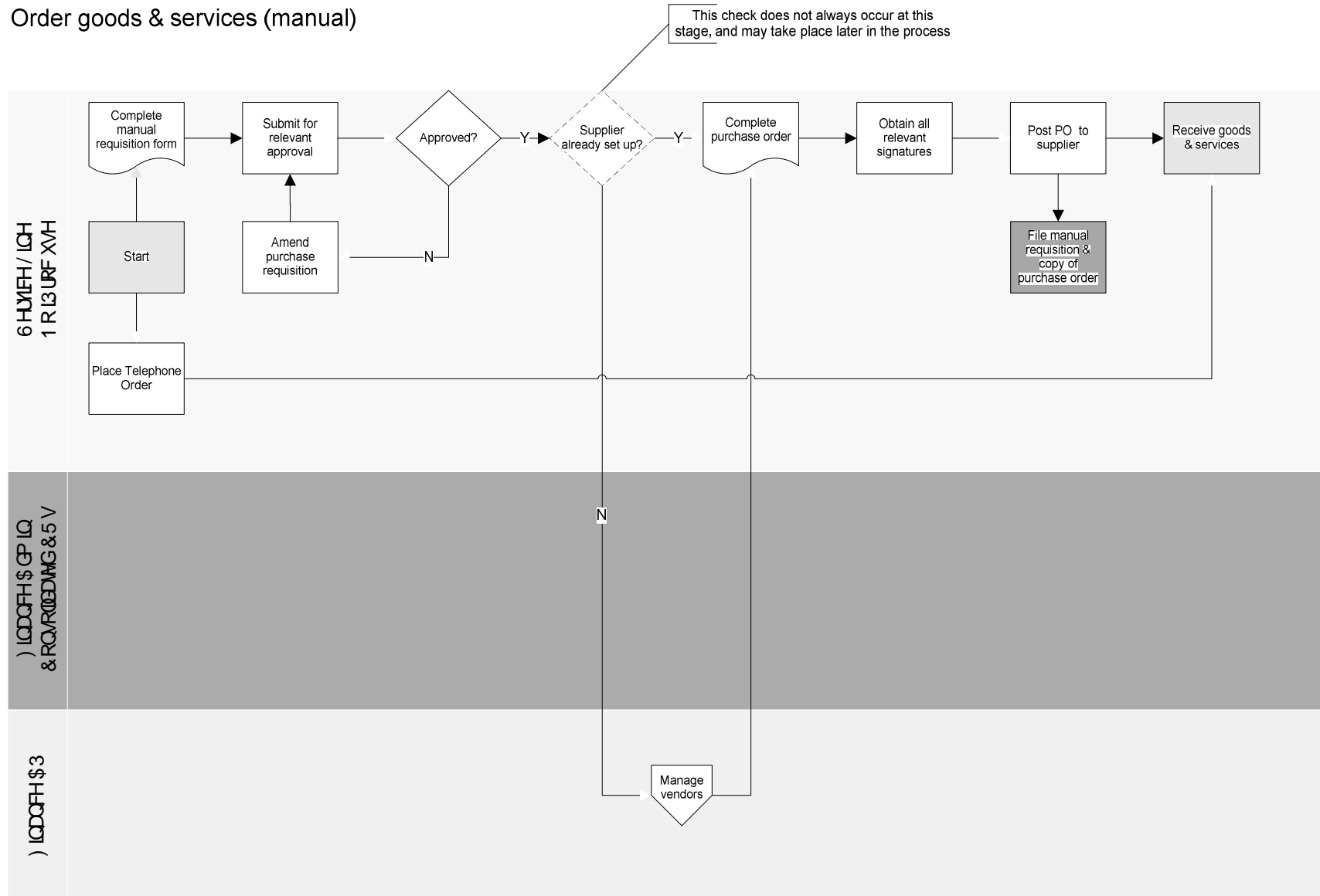
Order goods & services (iProc)
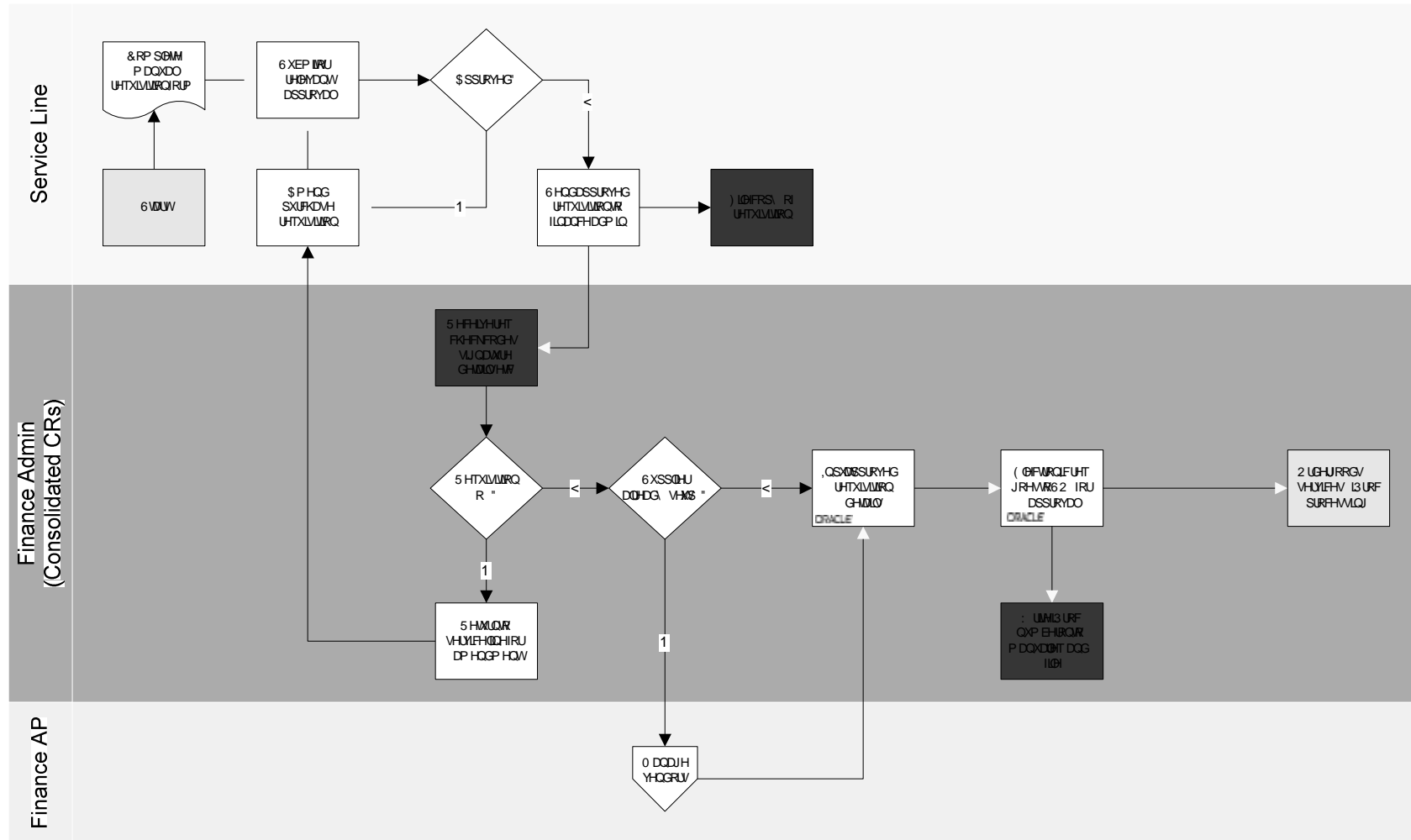
3 Current Operating Model – Existing Procure to Pay Processes (3)

Order goods & services (iProc processing)

3 Current Operating Model – Existing Procure to Pay Processes (4)

Order goods & services (manual)

This check does not always occur at this stage, and may take place later in the process

Receive Goods & Services (iProc)
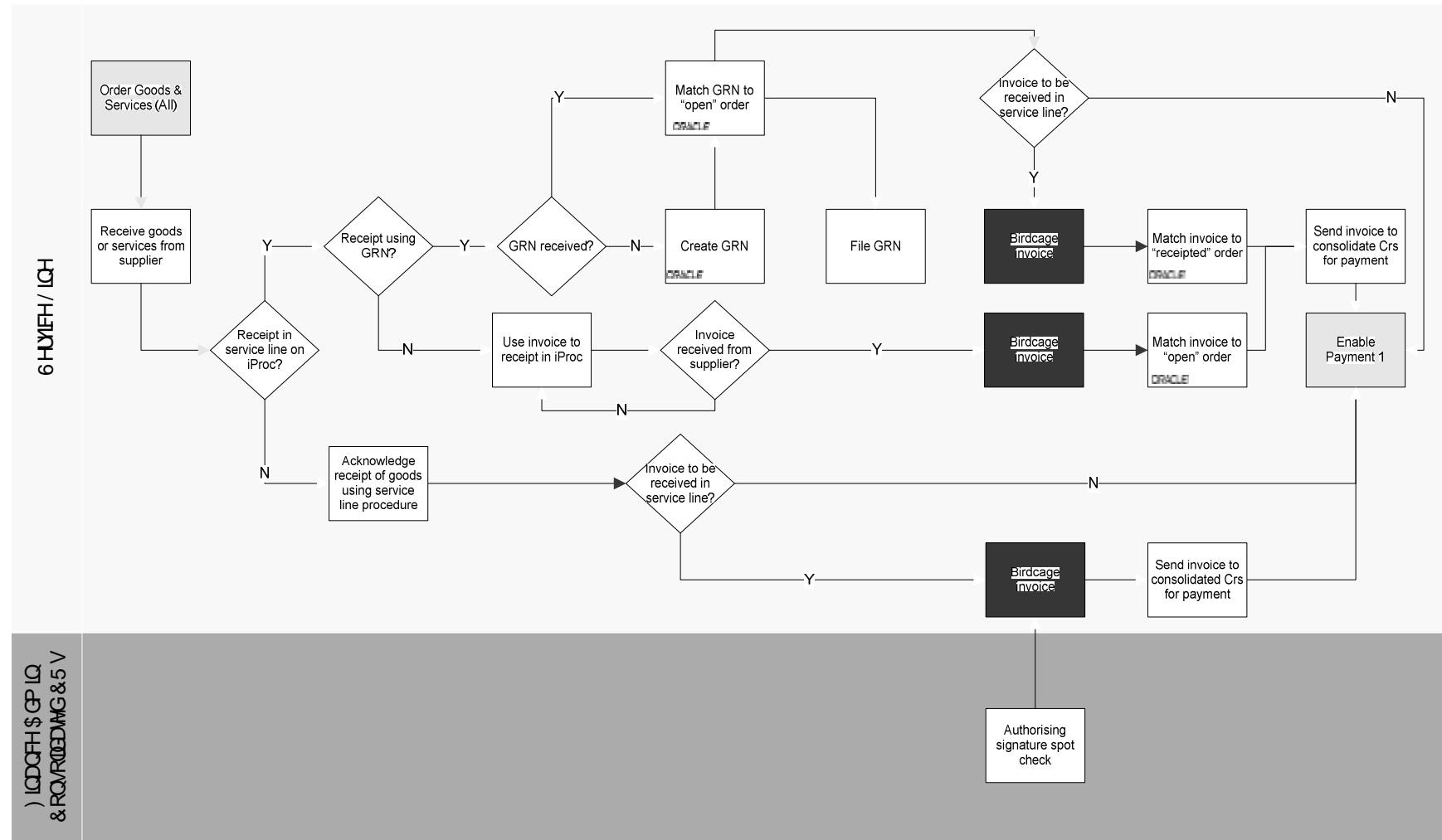
3 Current Operating Model – Existing Procure to Pay Processes (6)

Enable Payment
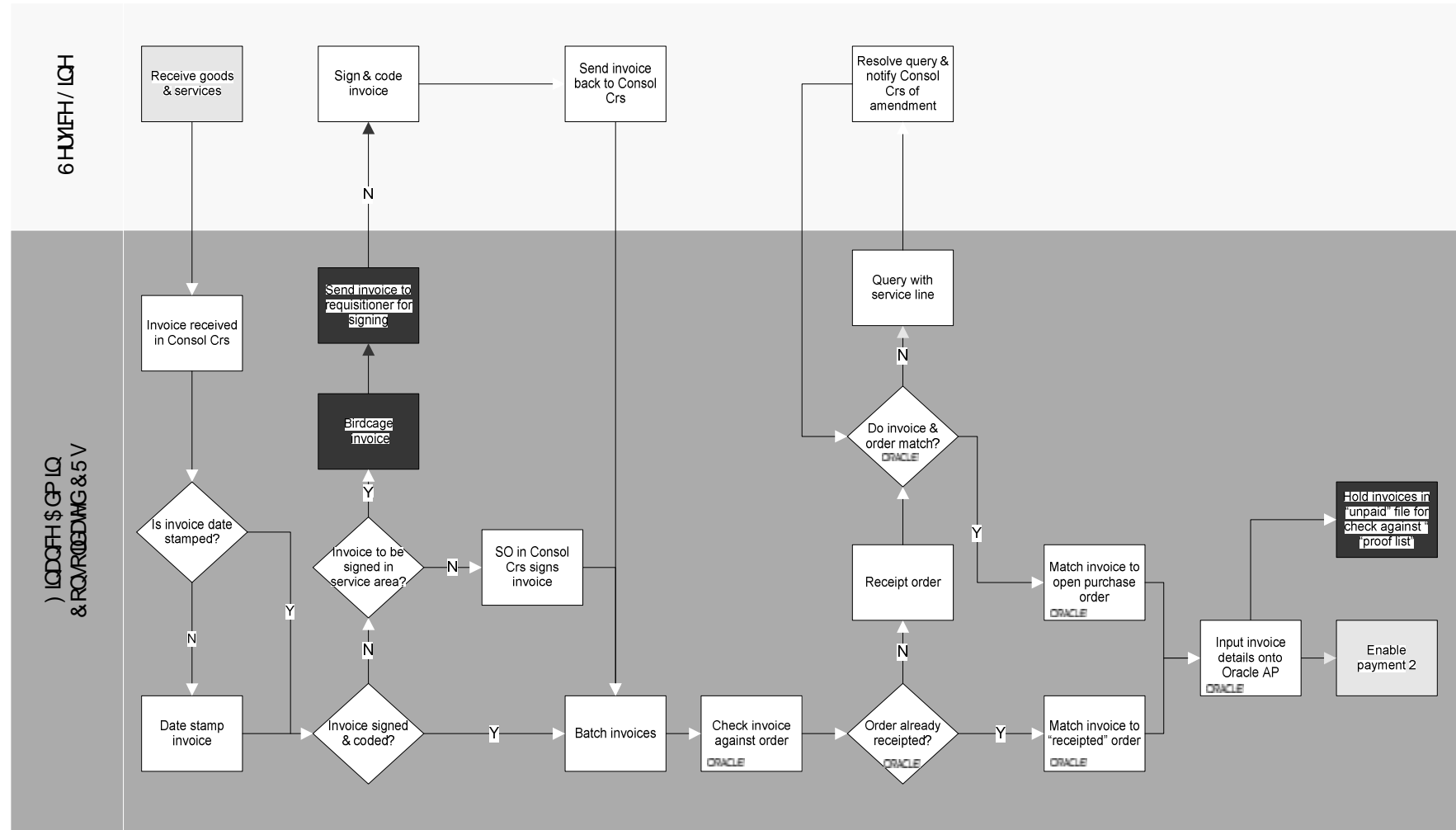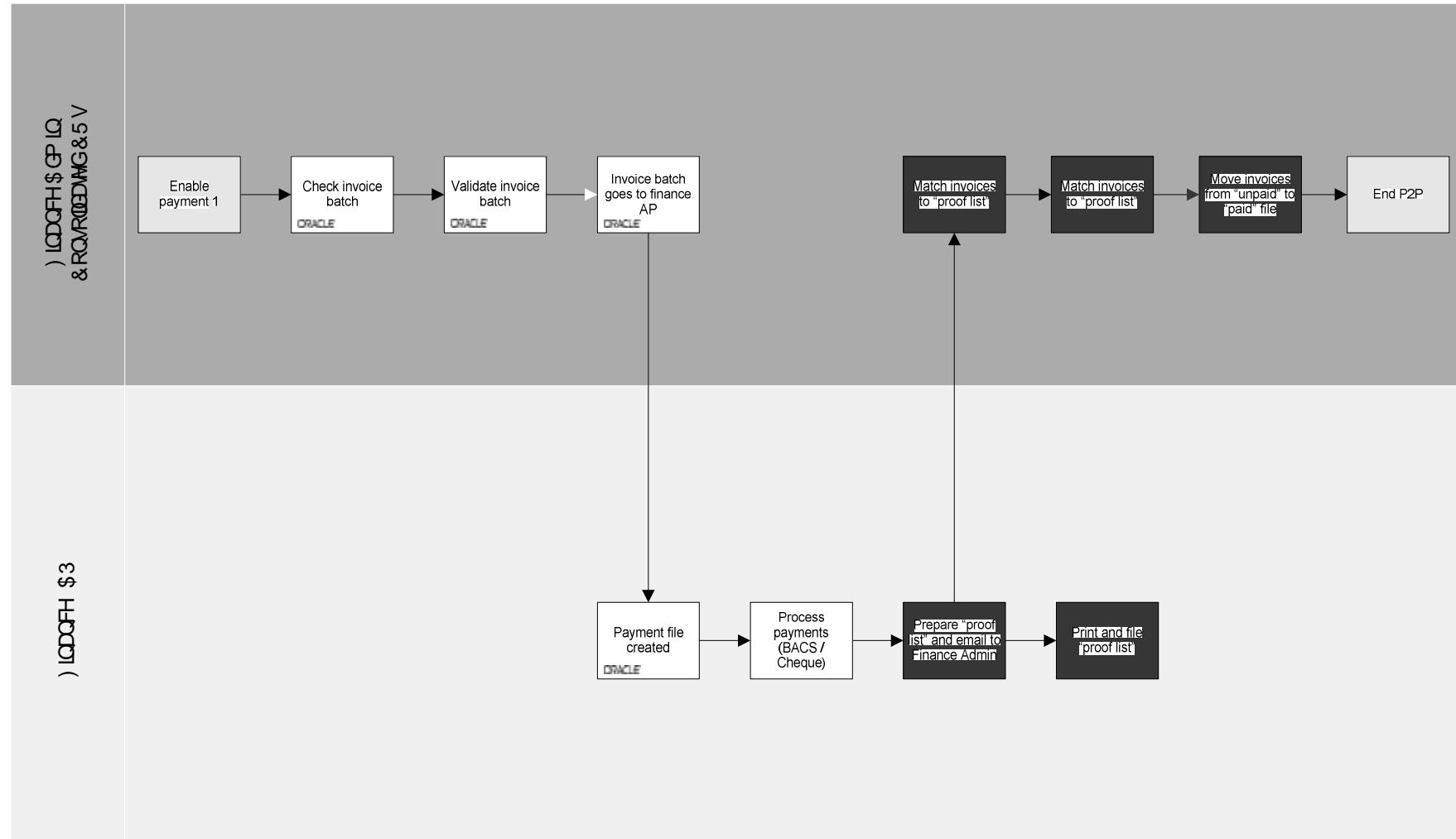
3 Current Operating Model – Existing Procure to Pay Processes (7)

Enable Payment

3 Current Operating Model – Existing Procure to Pay Processes (8)

Manage Vendors
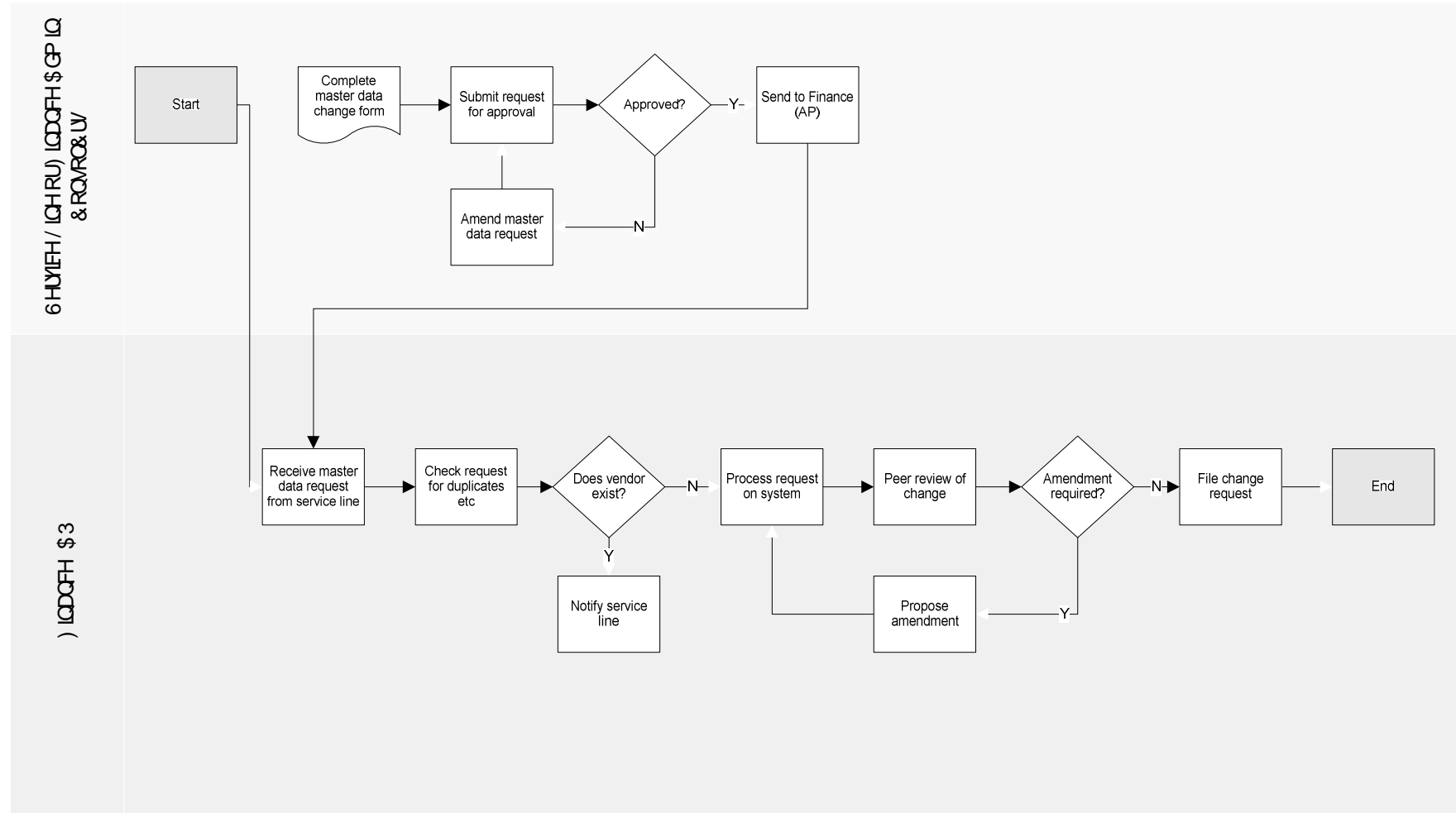
Service Line

Finance Admin
(Consolidated CRs)
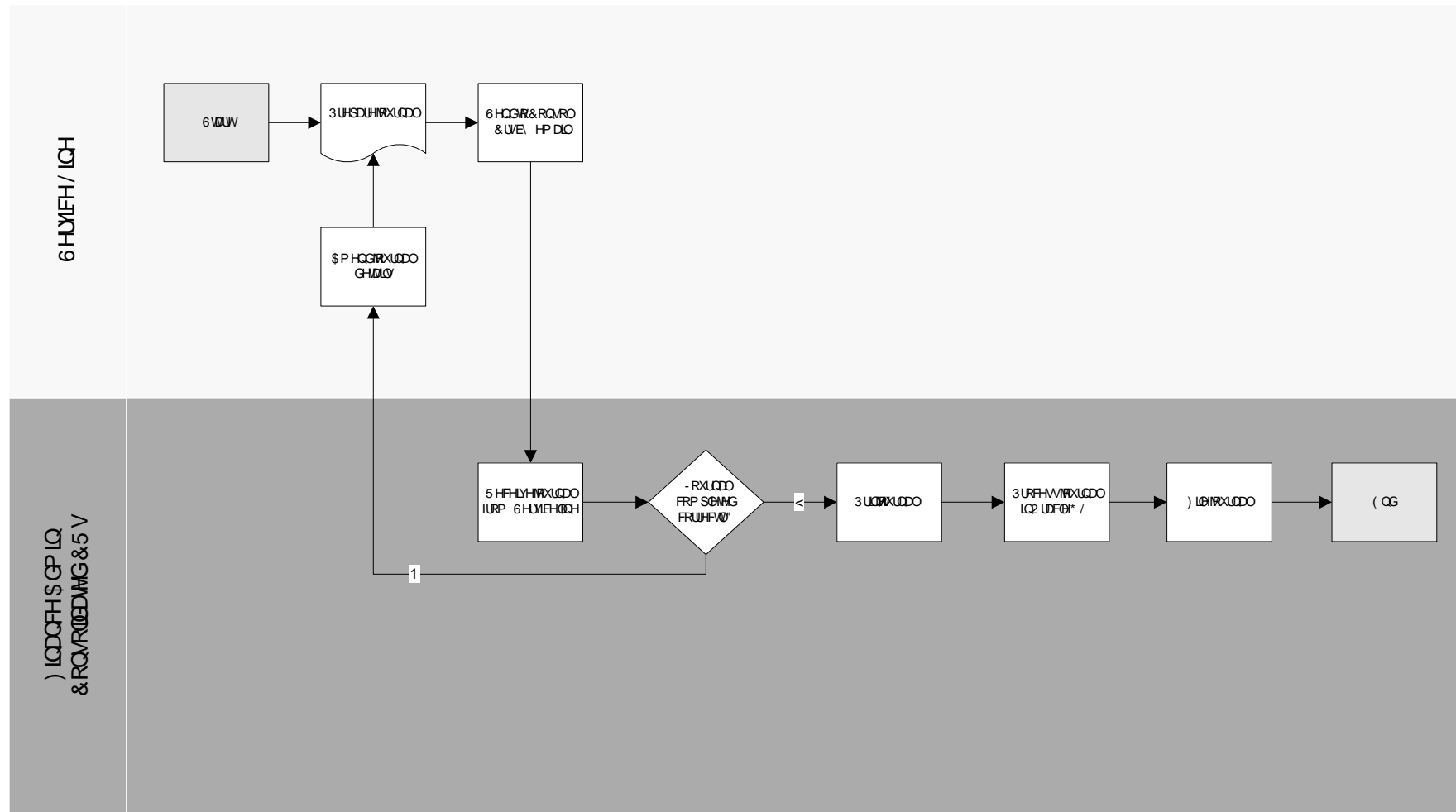
3 Current Operating Model – Existing Procure to Pay Processes: Issues Identified (1)

- Large number of manual requisitions raised, or there is no formal requisition in existence (194,000 invoices in 2006/7 vs 34,000 iProc orders)

- Large number of orders raised are not raised directly by users (20,000 iProc orders raised by Business Support in 2006/7)

- Inadequate user support and training on iProc

- Retention of manual documentation and checks on manual documentation when computer checks are available

- Use of "birdcage" – a manual approval stamp on invoices

- Significant number of non-contract orders (ie the supplier is not on the corporate list) which need to be approved by the iProc administration team

- Relatively small number of supplier catalogues on the system

3 Current Operating Model – Existing Procure to Pay Processes: Issues Identified (2)

- System notification of generation of purchase orders may not be used

- Significant number of receipts not being marked off on iProc by receivers

- Tolerance levels on matching process are considered to be too narrow

- Not all invoices are received in a central location and budget holder approval is still required even when invoices and goods received notes/purchase orders are matched on the system

- Extensive use of the "requisition pool"

- Orders are often created on receipt of invoices

- Concern was expressed over controls associated with release of held invoices
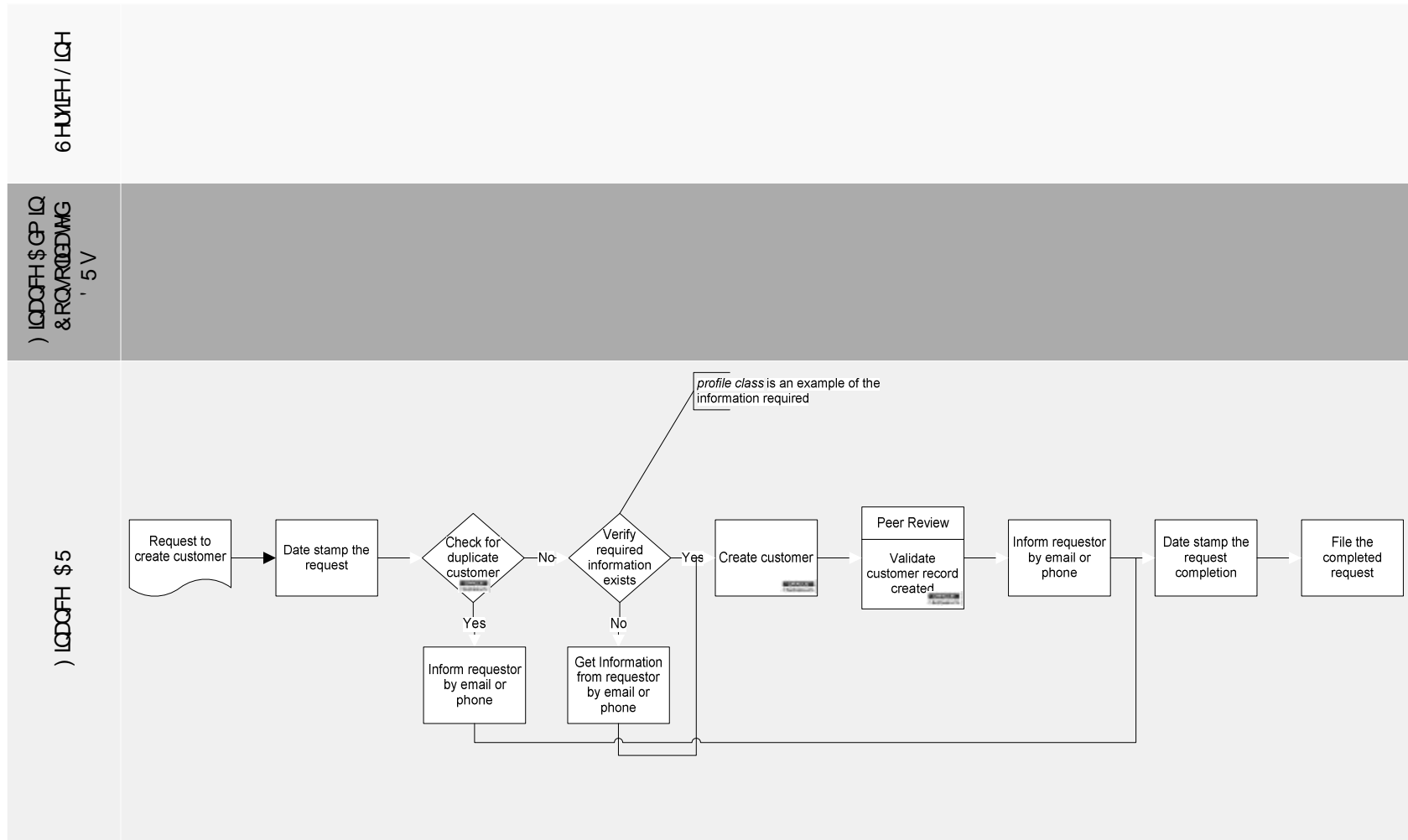
3 Current Operating Model – Existing Accounts Receivable Organisational Arrangements

Key Task	Central Finance	Financial Admin	Corporate Procurement	Service Lines	Total
Accounts Receivable					
Total FTEs	4.82	32.45	0.00	0.00	37.27
Total Cost	126,417	727,811	0	0	854,228

Key Task	Central Finance	Financial Admin	Corporate Procurement	Service Lines
Generation of manual request for credit note/sales invoice/standing charges				●
Generation of invoice/credit note/standing charges in Oracle Financials and dispatch to cutomers		●		
Generation of credit notes applying to multiple invoices	●			
Raising pro-forma invoices re overpayments by customers and reversal of overpayments once corrected	●			
Receipt of customer payments and forwarding to Banking Hall		●		●
Management and interfacing of IMP system re customer income to Oracle Financials	●			
Review of Aged Debtors and Management of Old Debts	●	●		●
Customer Management - generation of requests to set up new customers		●		
Customer Management - generation of requests to set up new transaction types		●		
Customer Management - processing requests to set up new customers/new transaction types	●			
Generation of Internal Orders (manual) and forwarding to internal supplier		●		
Preparation and Processing of Journals to enable payment for Internal Trading		●		

3 Current Operating Model – Existing Accounts Receivable Processes (1)

Administer customer information

profile class is an example of the information required

Request to create customer → Date stamp the request → Check for duplicate customer → No → Verify required information exists → Yes → Create customer → Peer Review / Validate customer record created → Inform requestor by email or phone → Date stamp the request completion → File the completed request

Check for duplicate customer → Yes → Inform requestor by email or phone

Verify required information exists → No → Get Information from requestor by email or phone

3 Current Operating Model – Existing Accounts Receivable Processes (2)

Compute & issue invoices

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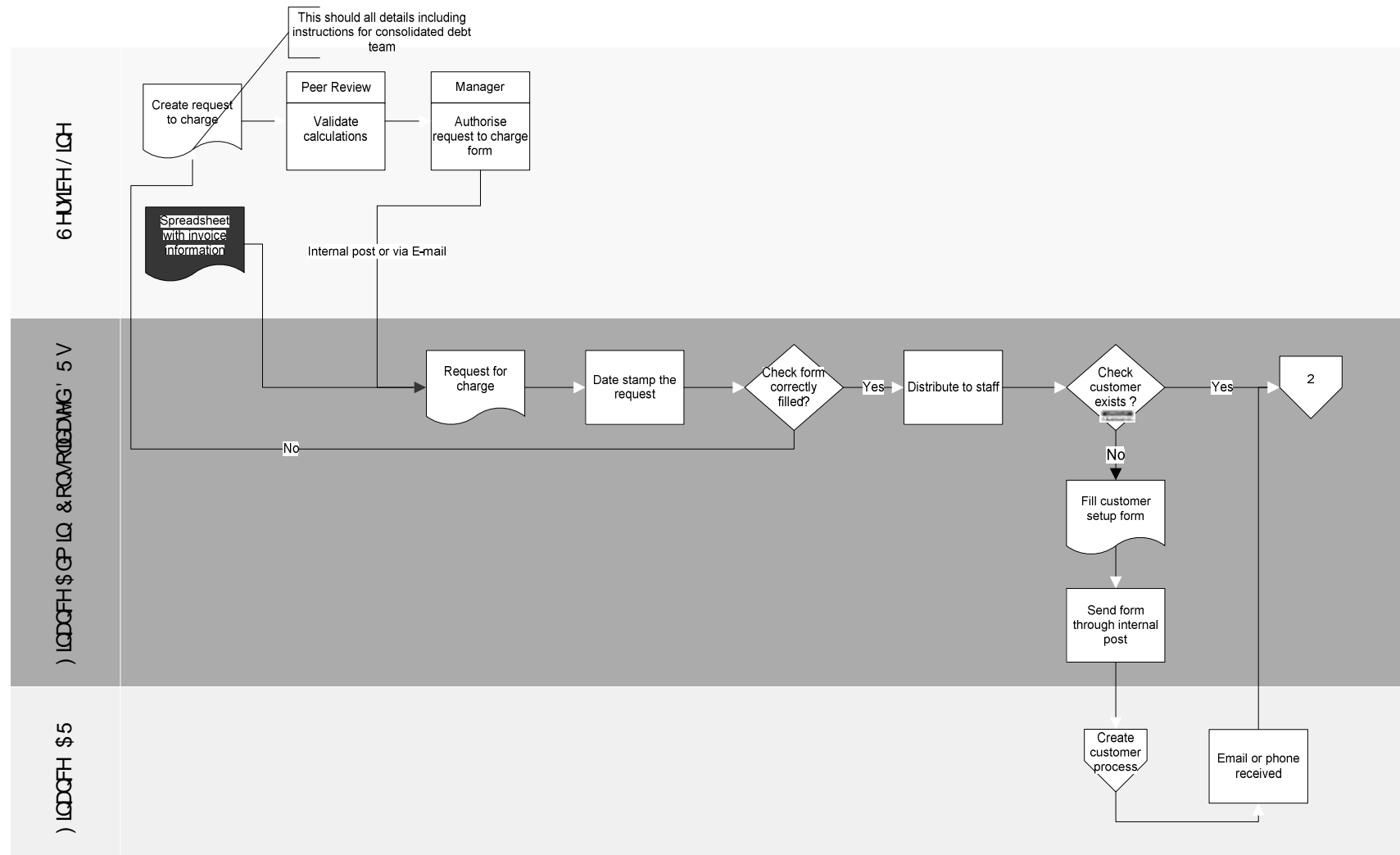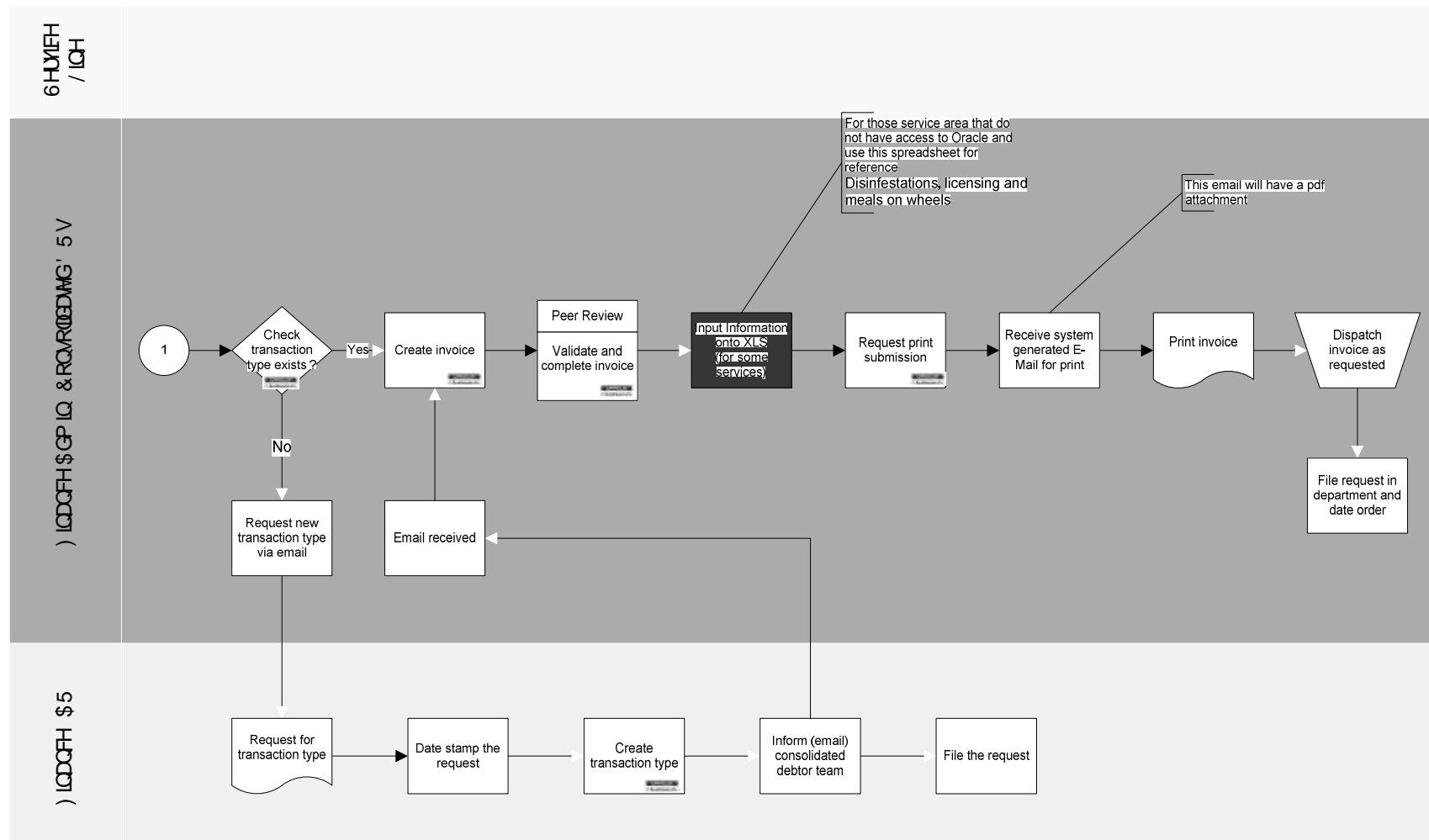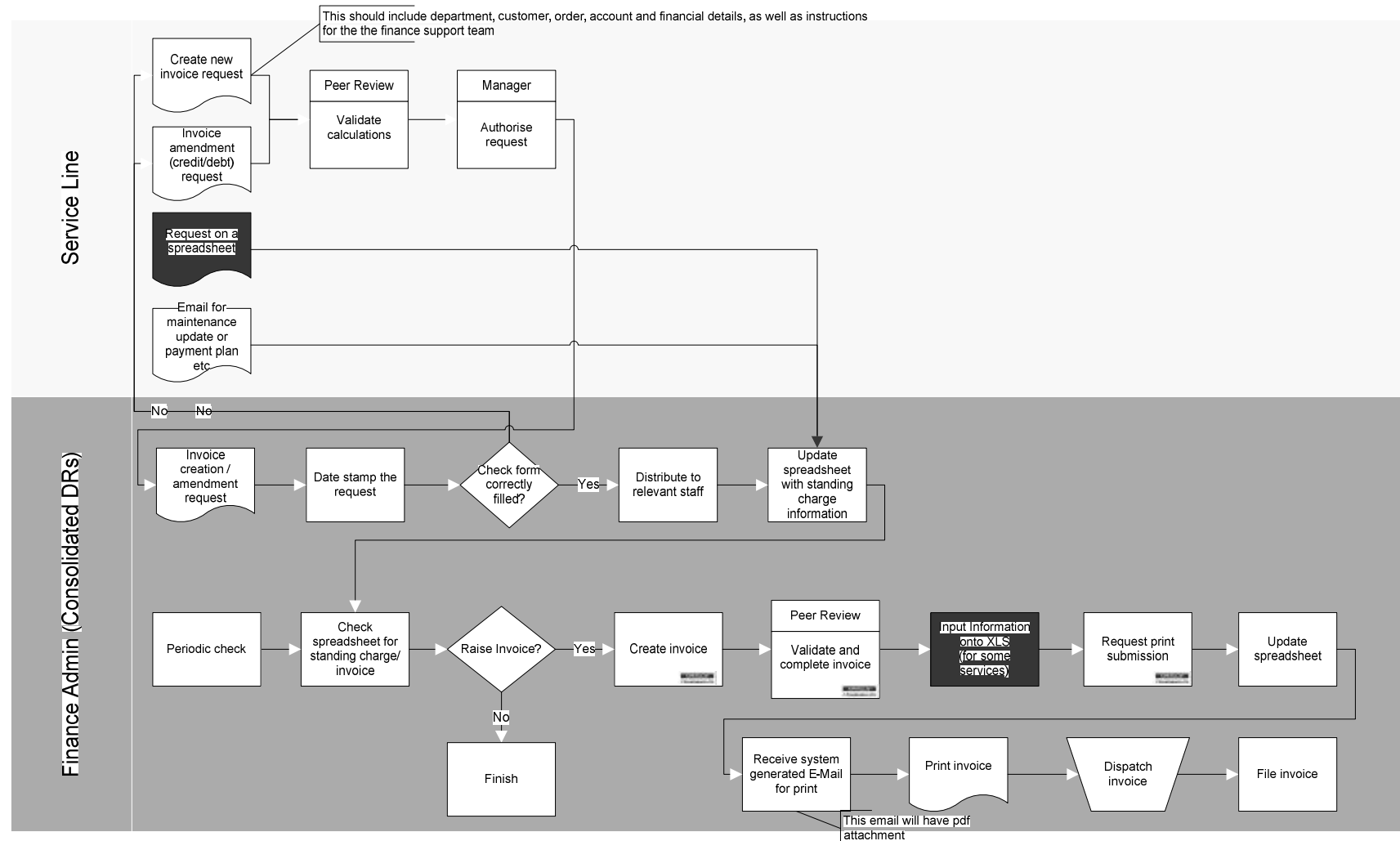# 3 Current Operating Model – Existing Accounts Receivable Processes (3)

Compute & issue invoices

3 Current Operating Model – Existing Accounts Receivable Processes (4)

Compute & create standing charges

This should include department, customer, order, account and financial details, as well as instructions for the the finance support team

Service Line

- Create new invoice request
- Invoice amendment (credit/debt) request

Peer Review
Validate calculations

Manager
Authorise request

Request on a spreadsheet

Email for maintenance update or payment plan etc

Finance Admin (Consolidated DRs)

No   No

Invoice creation / amendment request → Date stamp the request → Check form correctly filled? → Yes → Distribute to relevant staff → Update spreadsheet with standing charge information

Periodic check → Check spreadsheet for standing charge/ invoice → Raise Invoice? → Yes → Create invoice → Peer Review / Validate and complete invoice → Input Information onto XLS (for some services) → Request print submission → Update spreadsheet

No

Finish

Receive system generated E-Mail for print → Print invoice → Dispatch invoice → File invoice

This email will have pdf attachment

3 Current Operating Model – Existing Accounts Receivable Processes (5)

Compute & issue refunds or credits

3 Current Operating Model – Existing Accounts Receivable Processes (6)
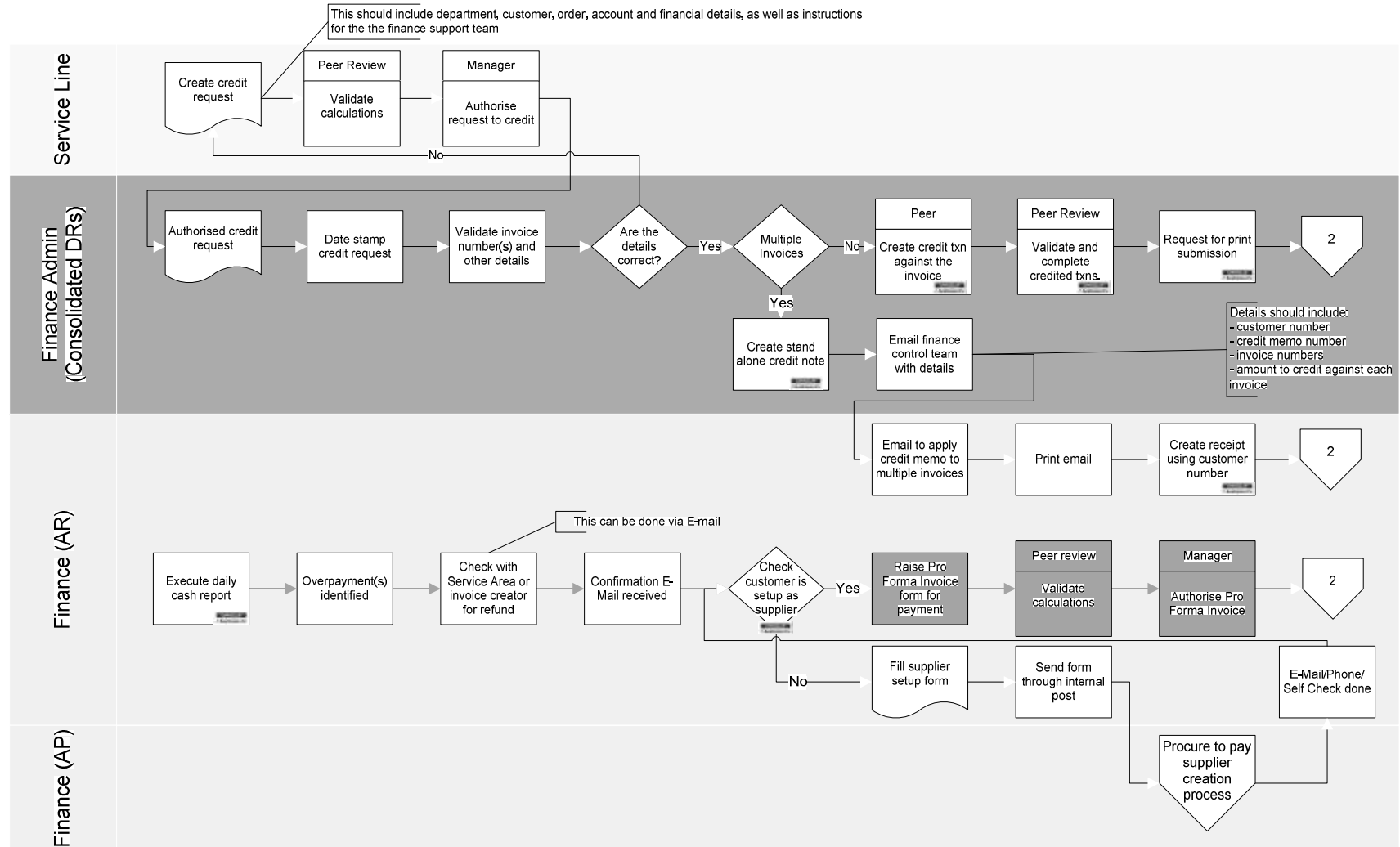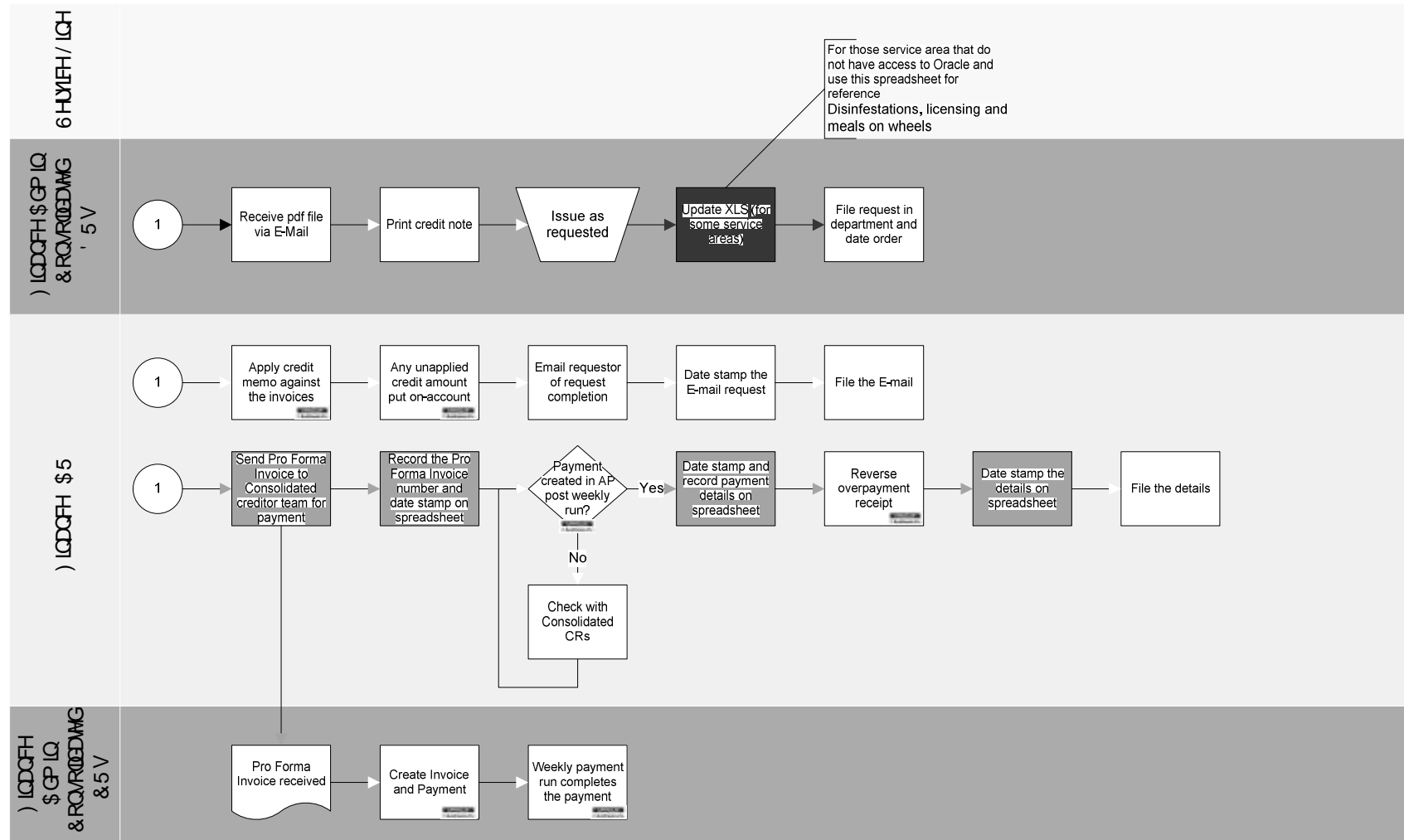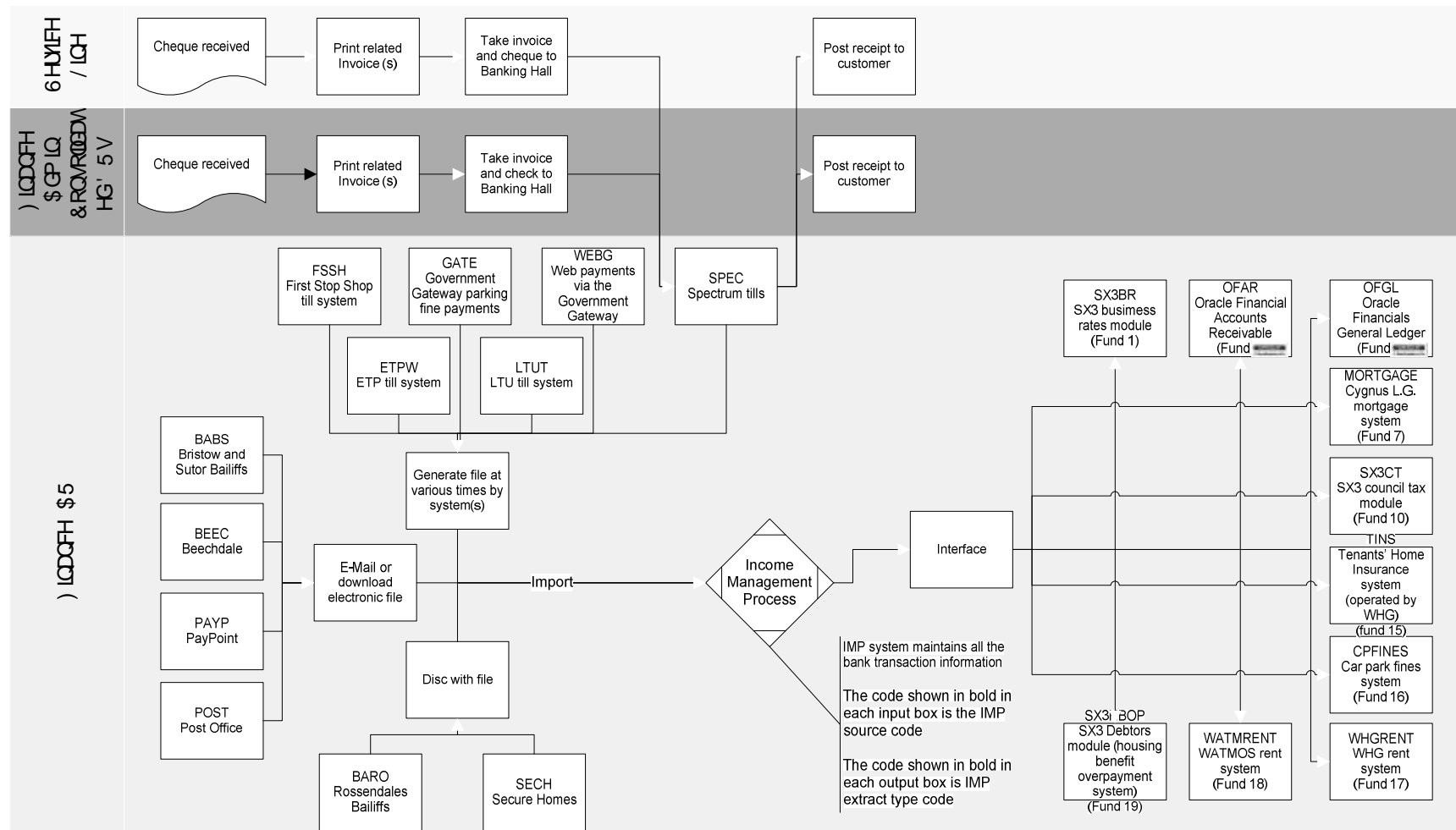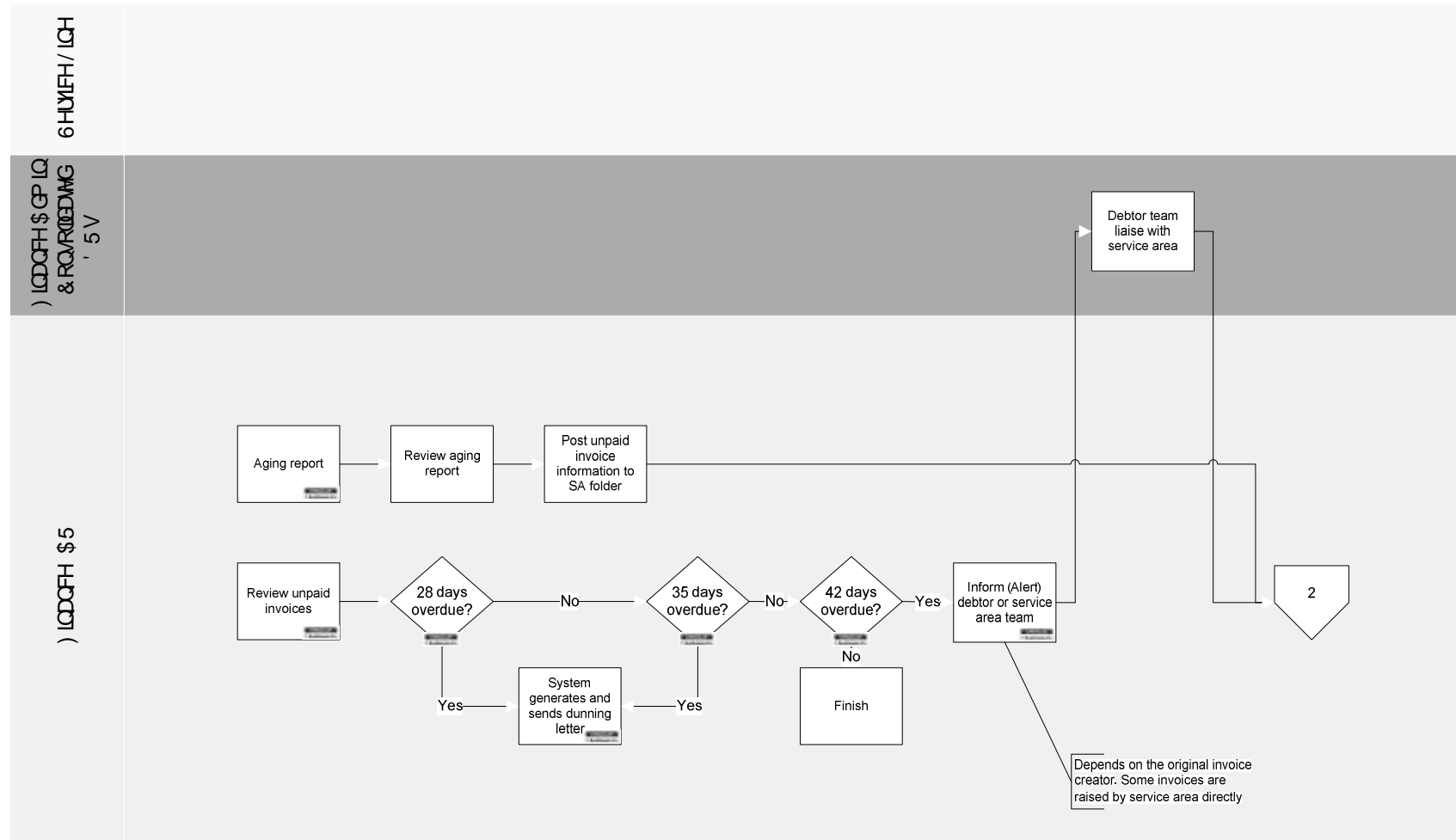
Compute & issue refunds or credits

For those service area that do not have access to Oracle and use this spreadsheet for reference
Disinfestations, licensing and meals on wheels

Receive pdf file via E-Mail → **Print credit note** → **Issue as requested** → **Update XLS (for some service areas)** → **File request in department and date order**

Apply credit memo against the invoices → **Any unapplied credit amount put on-account** → **Email requestor of request completion** → **Date stamp the E-mail request** → **File the E-mail**

Send Pro Forma Invoice to Consolidated creditor team for payment → **Record the Pro Forma Invoice number and date stamp on spreadsheet** → **Payment created in AP post weekly run?** → Yes → **Date stamp and record payment details on spreadsheet** → **Reverse overpayment receipt** → **Date stamp the details on spreadsheet** → **File the details**

No → **Check with Consolidated CRs**

Pro Forma Invoice received → **Create Invoice and Payment** → **Weekly payment run completes the payment**

3 Current Operating Model – Existing Accounts Receivable Processes (7)

Process receipts

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3 Current Operating Model – Existing Accounts Receivable Processes (8)

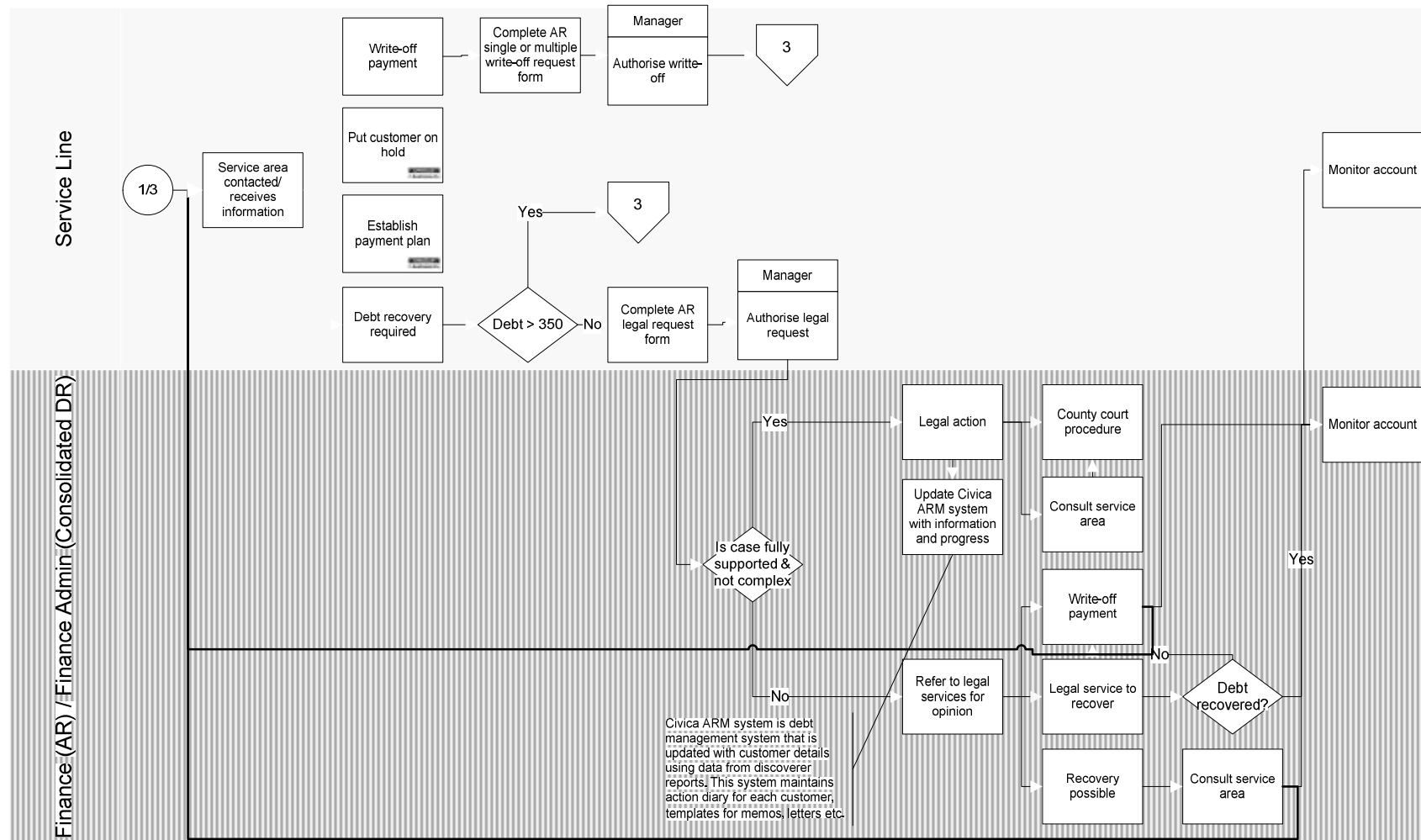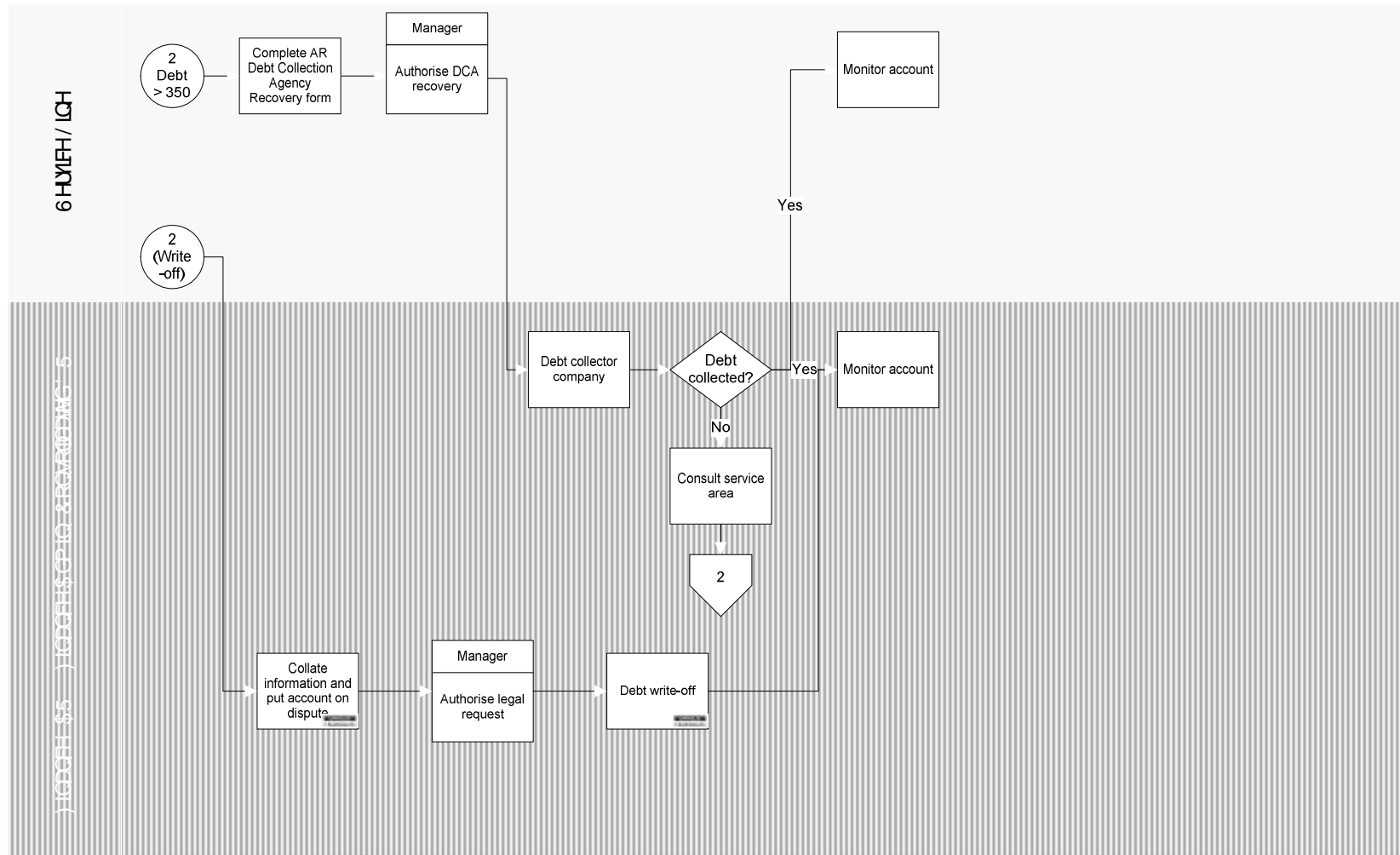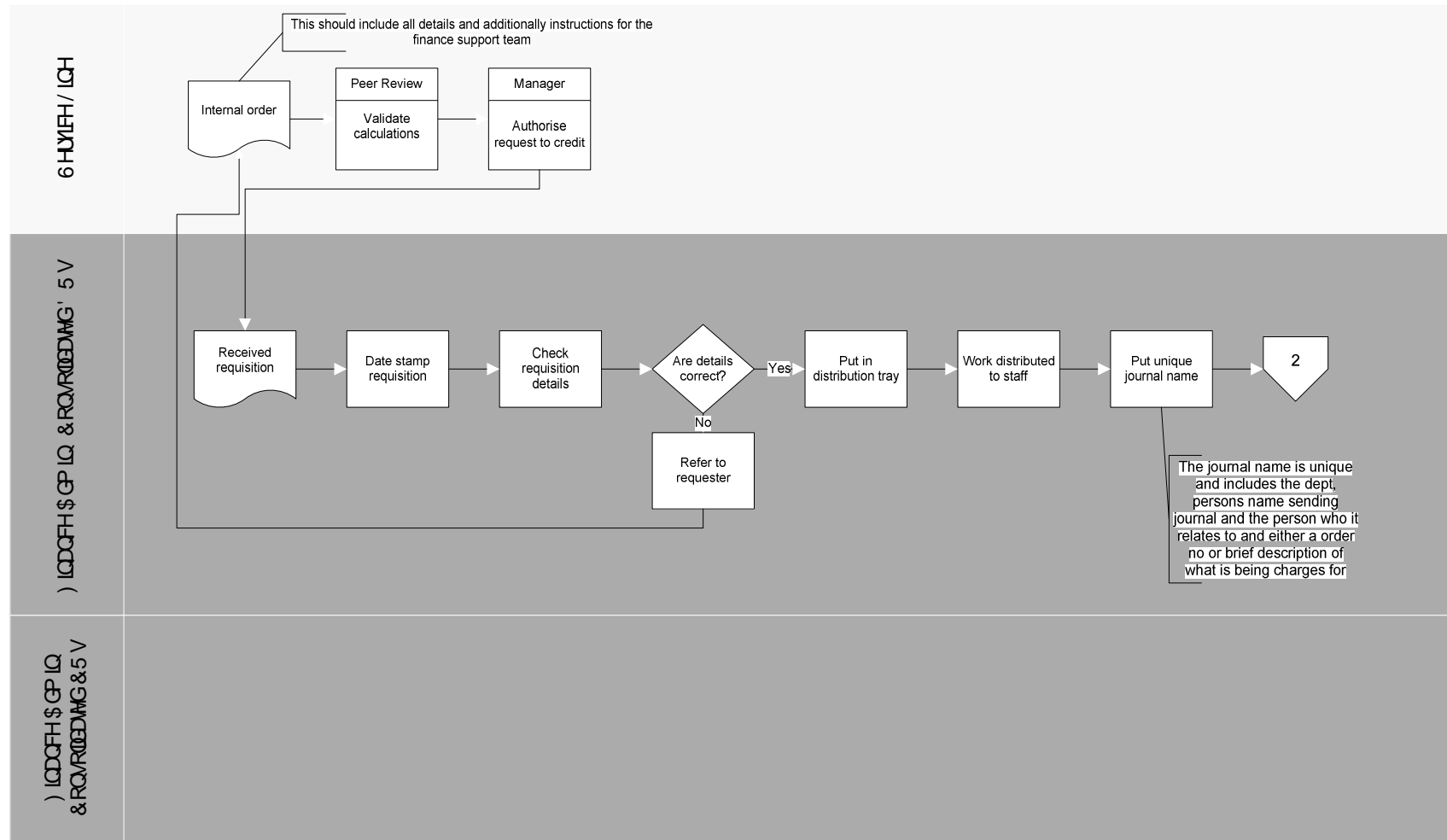Manage collections

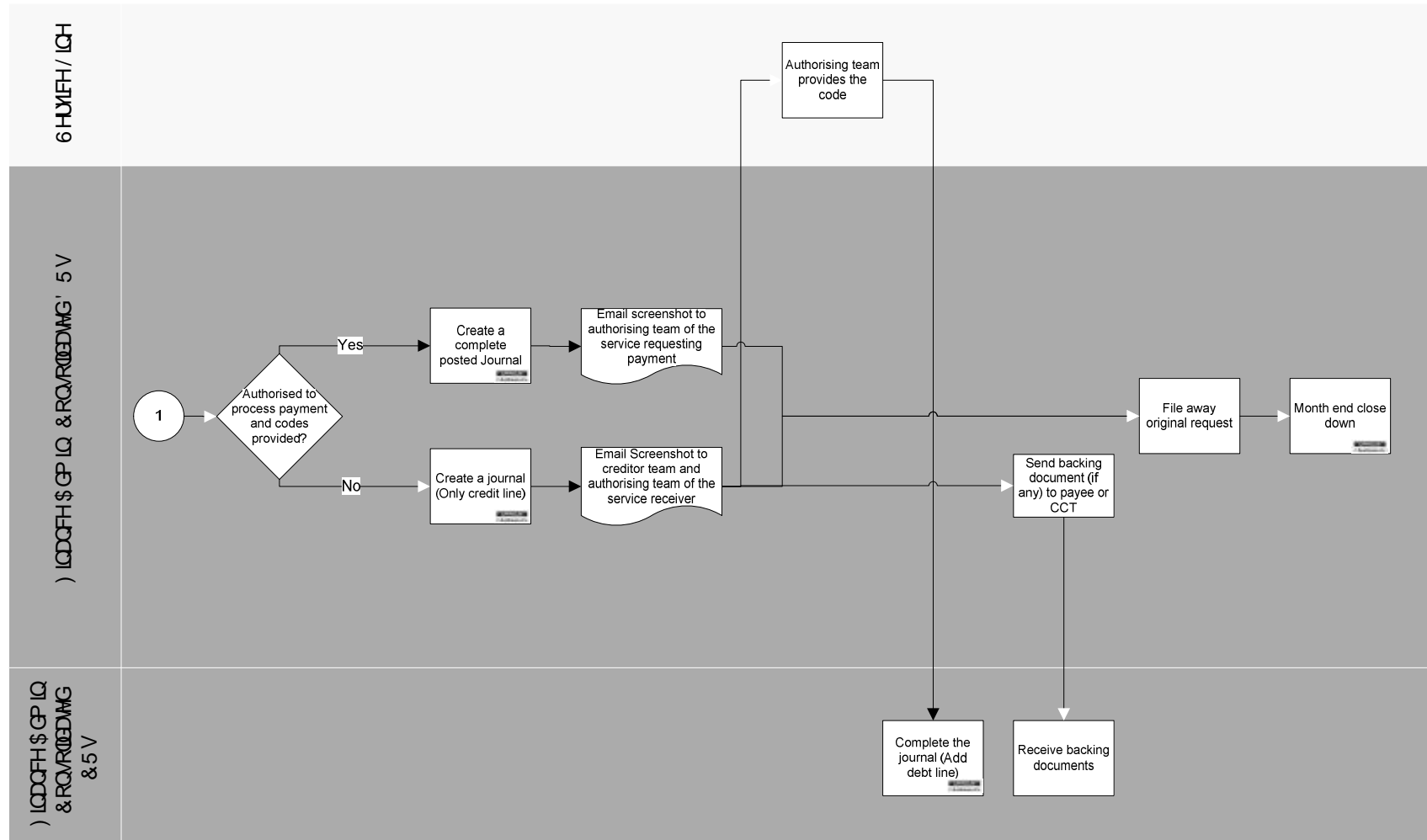Manage collections

Manage collections

3 Current Operating Model – Existing Accounts Receivable Processes (11)

Internal trading

3 Current Operating Model – Existing Accounts Receivable Processes (12)

Internal trading

3 Current Operating Model – Existing Accounts Receivable Processes: Issues Identified (1)

- Requests for invoices, credit notes etc are generated by users on manual forms and spreadsheets. Currently users have no on-line access to the AR system and there is no use of standard forms being workflowed electronically or direct input into the AR system

- All invoices/credit notes are raised on Oracle by Financial Admin following receipt of manual forms. This is causing duplication in the current processes

- Financial Admin have to create/update invoice details on spreadsheets and forward these to users due to a lack of access of some service area users to AR (50-60% cases)

- There is limited use of standing charges functionality on Oracle to generate invoices for recurring payments

3 Current Operating Model – Existing Accounts Receivable Processes: Issues Identified (2)

– Where overpayments are identified, the AR team does not have access to iProc, and proforma invoices are currently being used. This is a labour intensive, largely manual process

– A non-Oracle debt recovery package is currently used by Central Finance. This means that users have limited access to information re debt collection for delinquent accounts

– A consistent policy does not seem to be applied to internal trading/recharging and the raising of such invoices. Journals are being created directly without use of the supporting sub-ledgers

3 Current Operating Model – Existing Budgeting and Management Reporting Organisational Arrangements

Key Task	Central Finance	Finance Managers (Service Line)	Financial Admin	Corporate Procurement	Service Lines	Total
Budgeting and Management Reporting						
Total FTEs	30.49		0.00	0.00	0.00	30.49
Total Cost	1,026,510		0	0	0	1,026,510
Establishment of Corporate Parameters for Budget Setting process	●					
Preparation of Draft Service Line Budgets (Excel based)		●			●	
Upload of Service Line Budgets onto Oracle and Validation Against Cash Limits	●					
Compliation of Budget Monitoring Schedule	●					
Notification of Month-end Close Down and Running of Standard Oracle Reports	●					
Preparation of Service Line Specific Management Information Reports		●				
Monitoring of Budgets					●	
Preparation of Budget Virement Requests		●				
Upload of Budget Virement Requests onto Oracle (Inter and Intra Service Line)	●	●				

3 Current Operating Model – Existing Budgeting and Management Reporting Processes (1)

Prepare budget
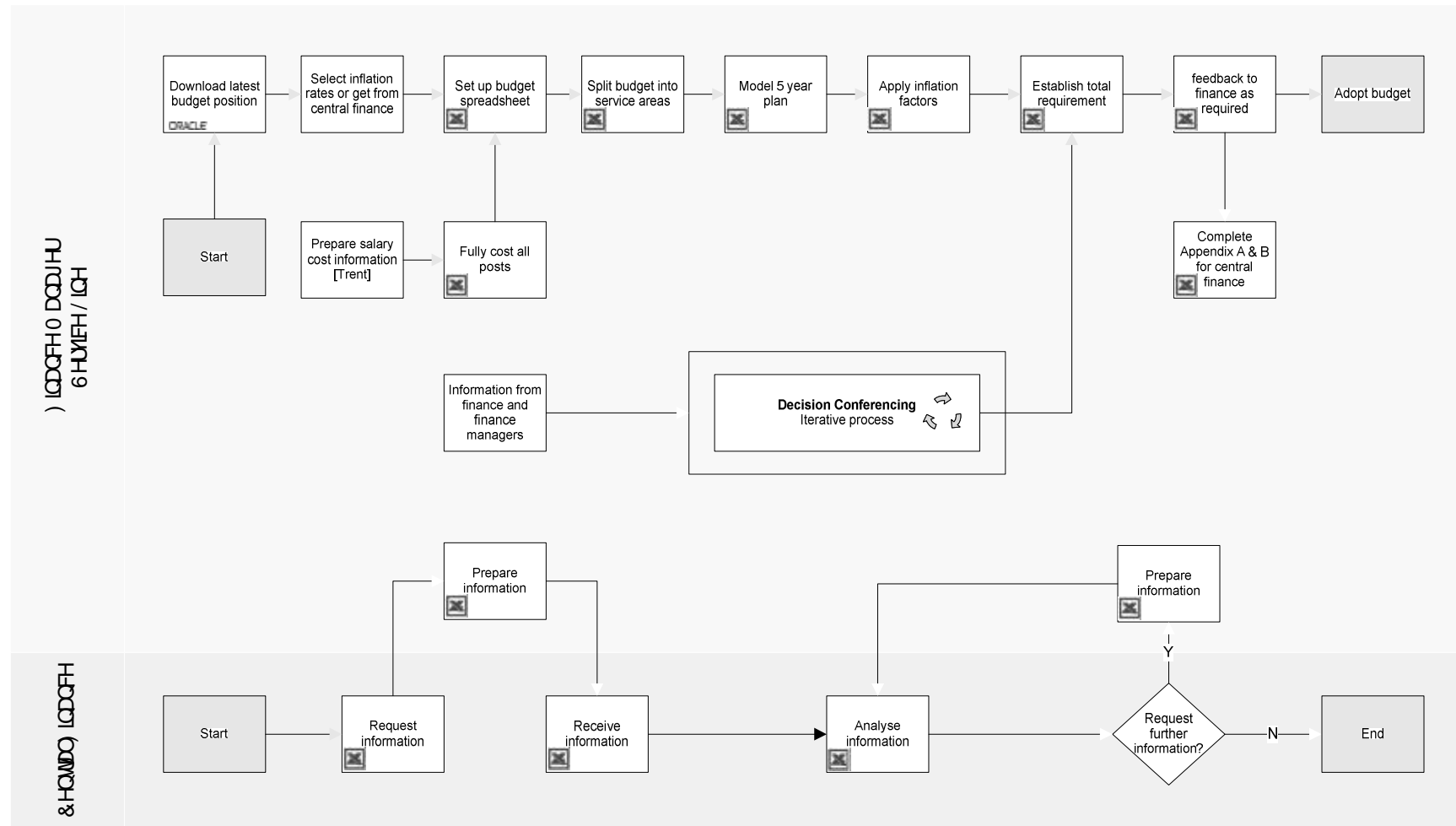
3 Current Operating Model – Existing Budgeting and Management Reporting Processes (2)

Adopt budget

3 Current Operating Model – Existing Budgeting and Management Reporting Processes (3)

Monitor Budget

3 Current Operating Model – Existing Budgeting and Management Reporting Processes (4)
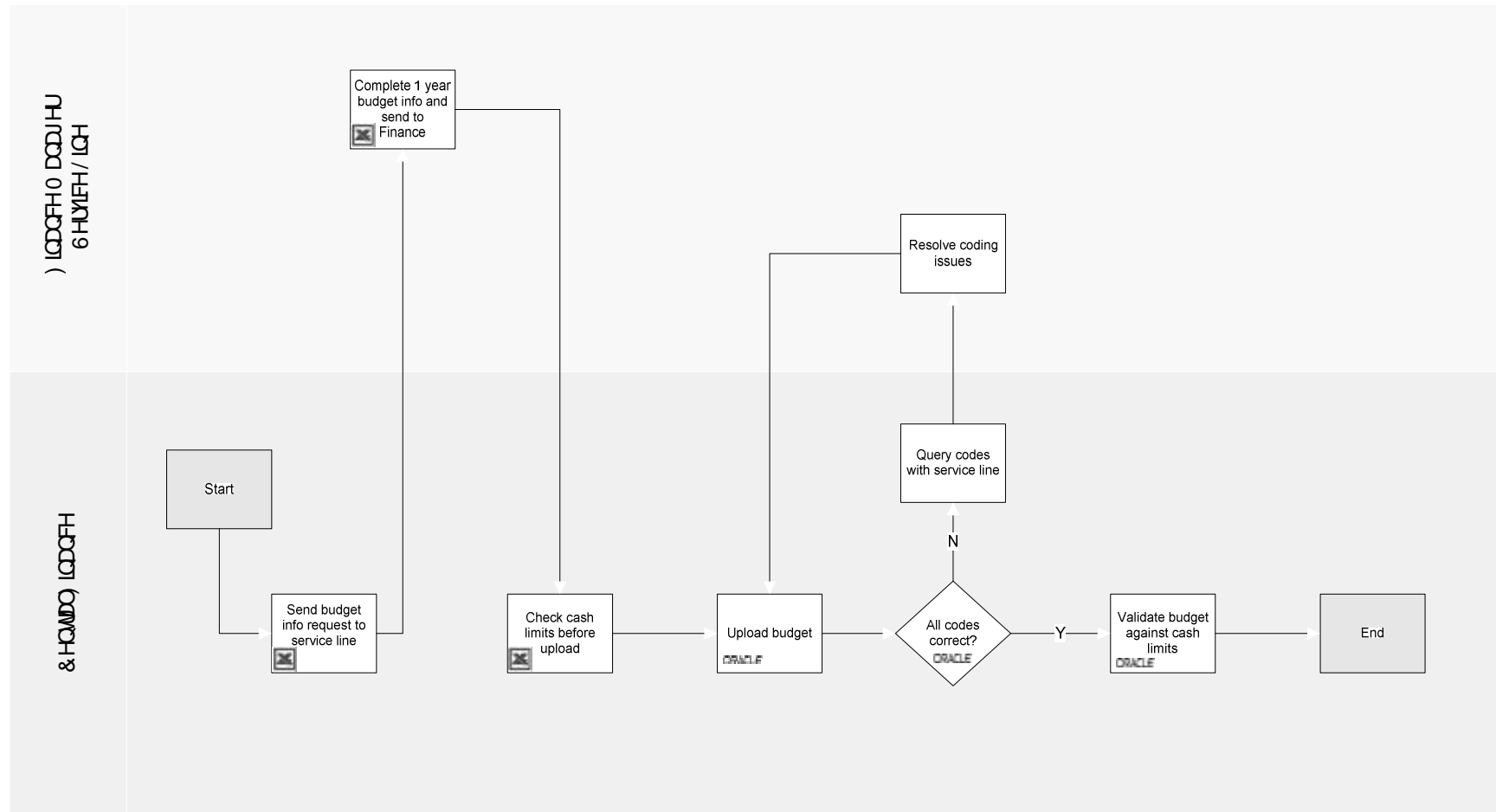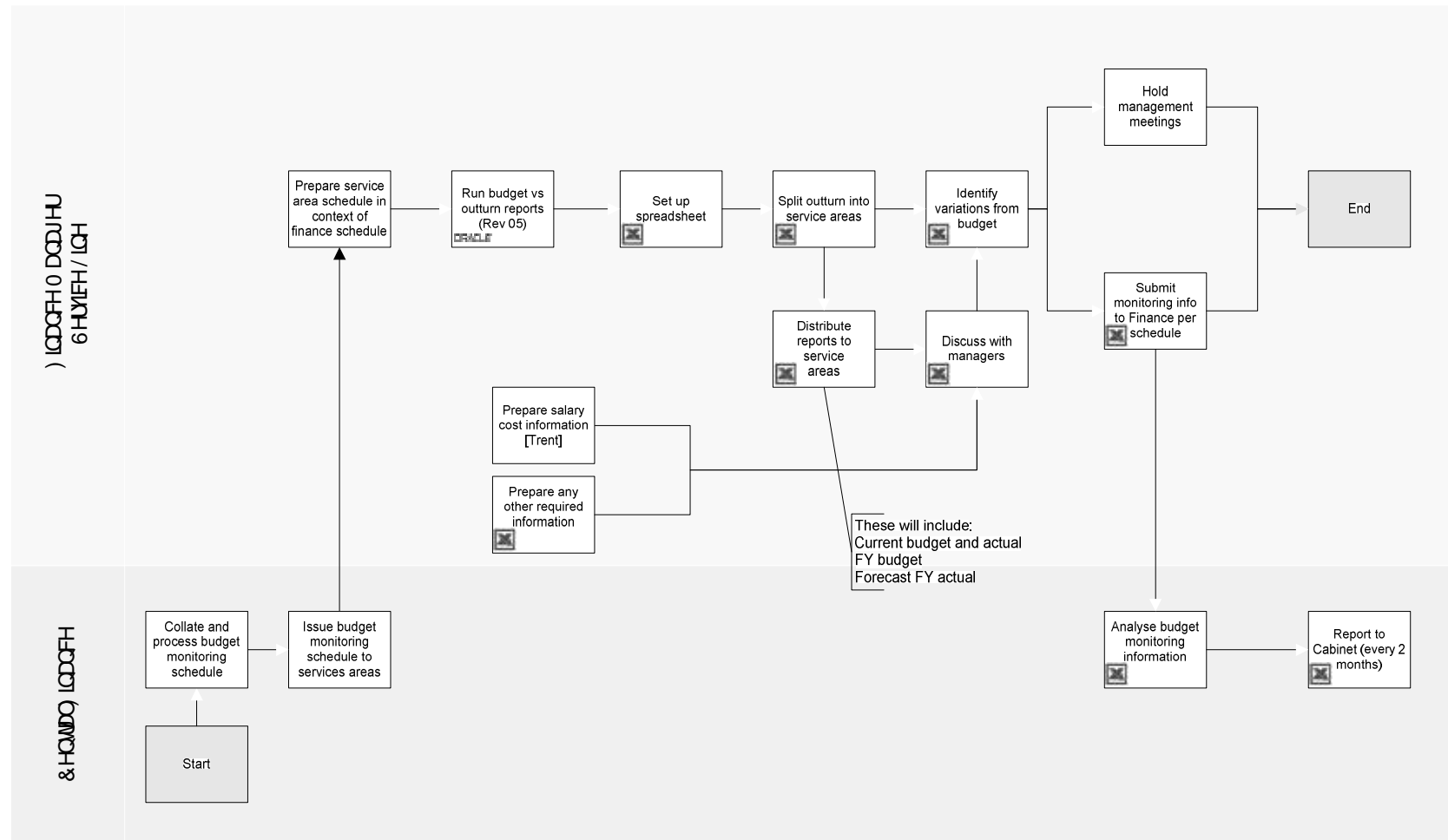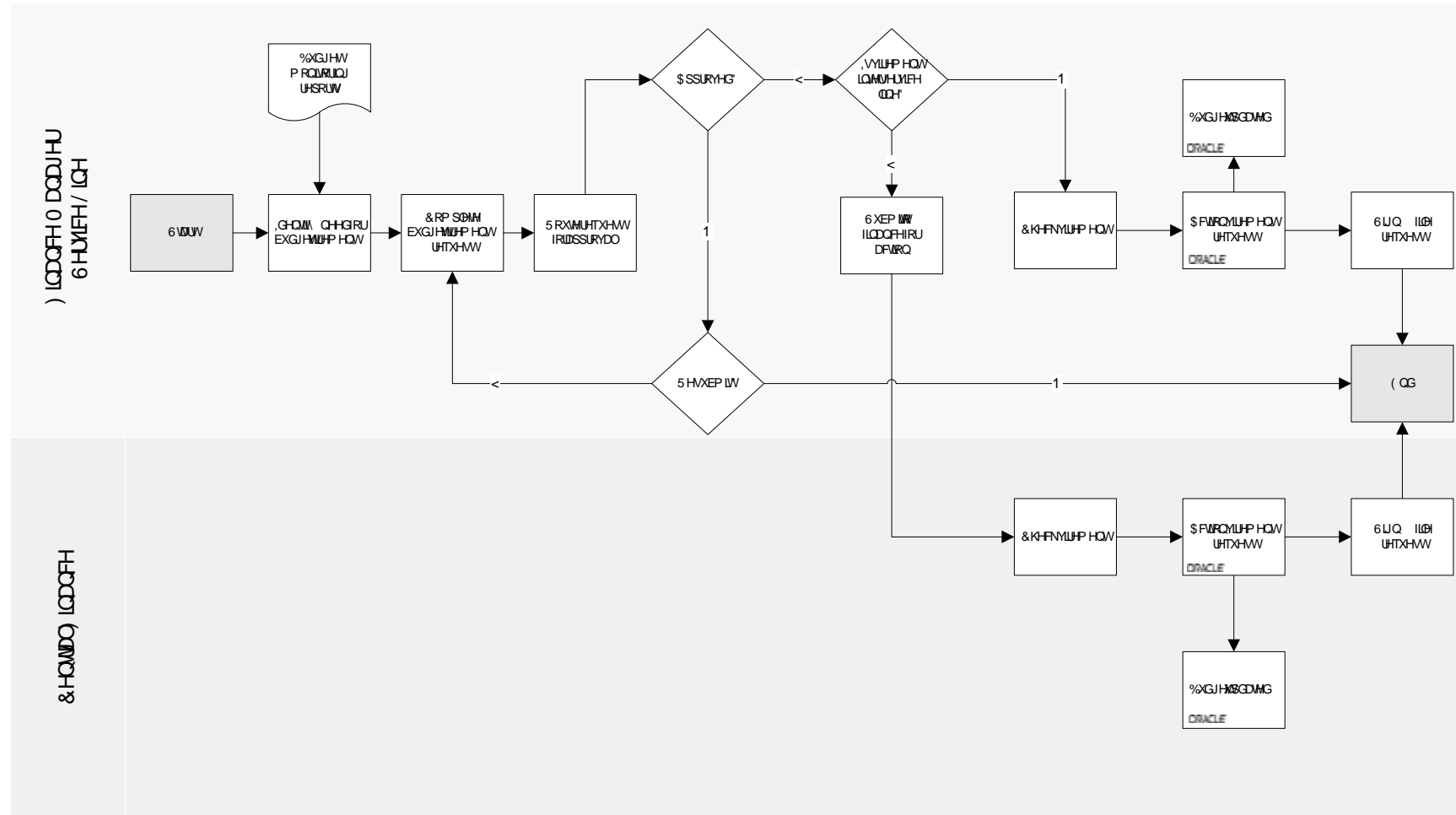
3 Current Operating Model – Existing Budgeting and Management Reporting Processes (5)

Monthly reporting
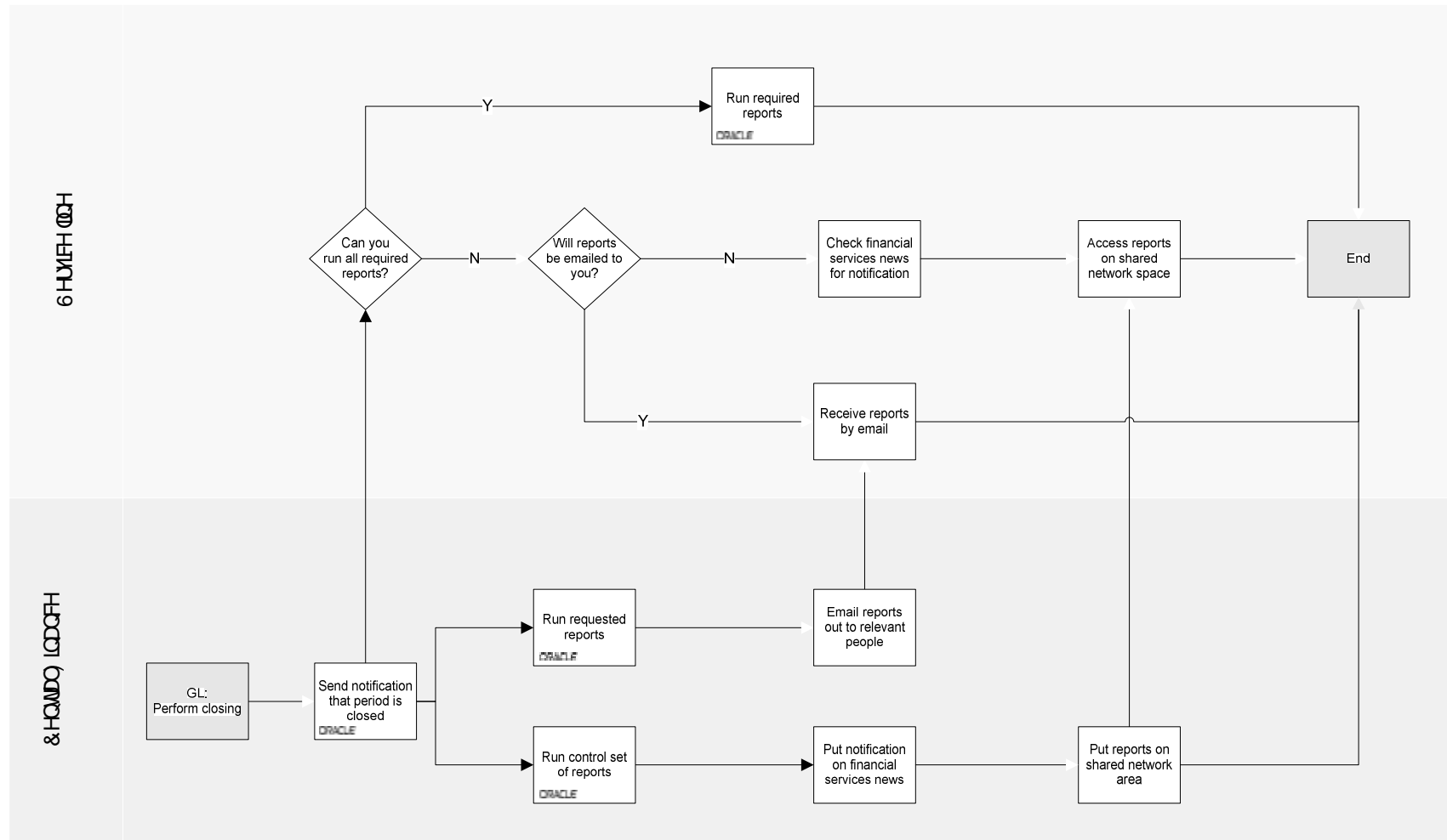
3 Current Operating Model – Existing Budgeting and Management Reporting Processes: Issues Identified (1)

- All budget preparation work is currently undertaken outside the Oracle system. Different types of excel based spreadsheets are used in service lines for this purpose

- Not all budgets are developed at cost centre and cost code level. There is a need to implement the agreed cost centre structure and to use this to drive budget setting and monitoring

- The budget approval process is manually driven

- While budgets are prepared on a rolling 3 year basis, one year's information only is uploaded to Oracle

- Budget profiles are not always calculated on the most appropriate basis (ie allowing for seasonality)

- Detailed payroll information is stored in Trent, with summary budget and expenditure information only being transferred to Oracle. This means users need access to Trent information for payroll queries

3 Current Operating Model – Existing Budgeting and Management Reporting Processes: Issues Identified (2)

- Accruals and prepayments are not captured on a regular basis in Oracle

- Management reporting is not standardised and is largely based on excel spreadsheets. This is driven by four principal factors
  - Mismatch between capture of budget and expenditure information in Oracle i.e. not all cost centres have budgets attached
  - Need to adjust for accruals/prepayments not currently captured in Oracle
  - Need to capture detailed payroll data
  - Need to forecast accurately

- There is no on-line access to management reports for budget holders

3 Current Operating Model – Existing General Ledger Organisational Arrangements

Key Task	Central Finance	Financial Admin	Corporate Procurement	Service Lines	Total
General Ledger					
Total FTEs	8.43	0.00			8.43
Total Cost	275,471	0			275,471
Maintenance of Chart of Accounts	●				
Generation of New Code/Close Code Requests		●		●	
Closure of Accounts Receivable Sub-ledger	●				
Closure of Accounts Payable Sub-ledger	●				
Input of Payroll information to Oracle GL	●				
Input of all other postings/journals to Oracle GL	●	●			
Systems Support and Maintenance	●				
Final Accounts Preparation	●				

Maintain chart of accounts

Start

Email new code request to head of finance

Some service lines have an approval at this stage?

Email close code request to GL team

Email new code request to head of finance

Email close code request to GL team

Head of finance approve?

Y

Email notification to requestor

Doesn't always happen

Forward to GL team

Validate; (codes, duplicates, need, alternatives)

Validation ok?

Y

Check hierarchies (& balances if closing codes)
ORACLE

Process request
ORACLE

Notify requestor by email or post

End

N

N

Notify requestor

Update reporting structures and FSGs as required
ORACLE

Print, sign and file request
ORACLE

Audit requirement

Perform closing

3 Current Operating Model – Existing General Ledger Processes: Issues Identified

– Currently there is no use of workflow for new code requests or for set-up of debtor/creditor accounts

– There is extensive access to journal creation functionality

– There is extensive journal traffic resulting in a number outstanding at period end

– There is an incompatibility between the Oracle and Trent coding systems

– Fixed asset information is journaled in at the period end only

– Posting to GL is being used to identify errors, resulting in numerous closedowns of sub-ledgers prior to final close down

– A number of manual records are still retained when computerised copies are available as a result of audit requirements

3 Current Operating Model – Existing Treasury Management Organisational Arrangements

Key Task	Central Finance	Financial Admin	Corporate Procurement	Service Lines	Total
Treasury Management					
Total FTEs	4.31				4.31
Total Cost	137,715				137,715
Treasury Management	●				

3 Current Operating Model – Existing Treasury Management Processes (1)

Manage cash for the organisation
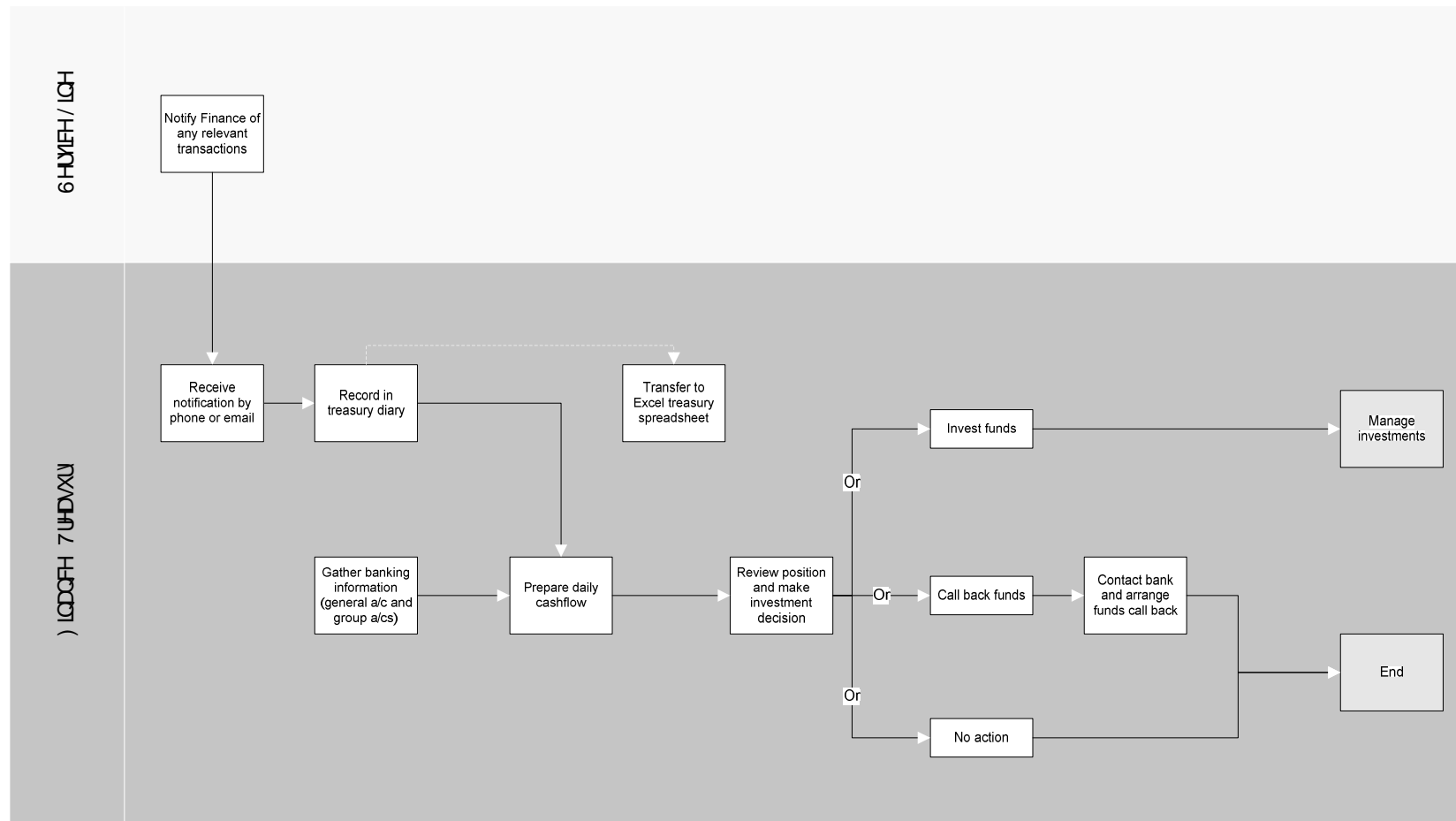
3 Current Operating Model – Existing Treasury Management Processes (2)

Manage investments for the organisation
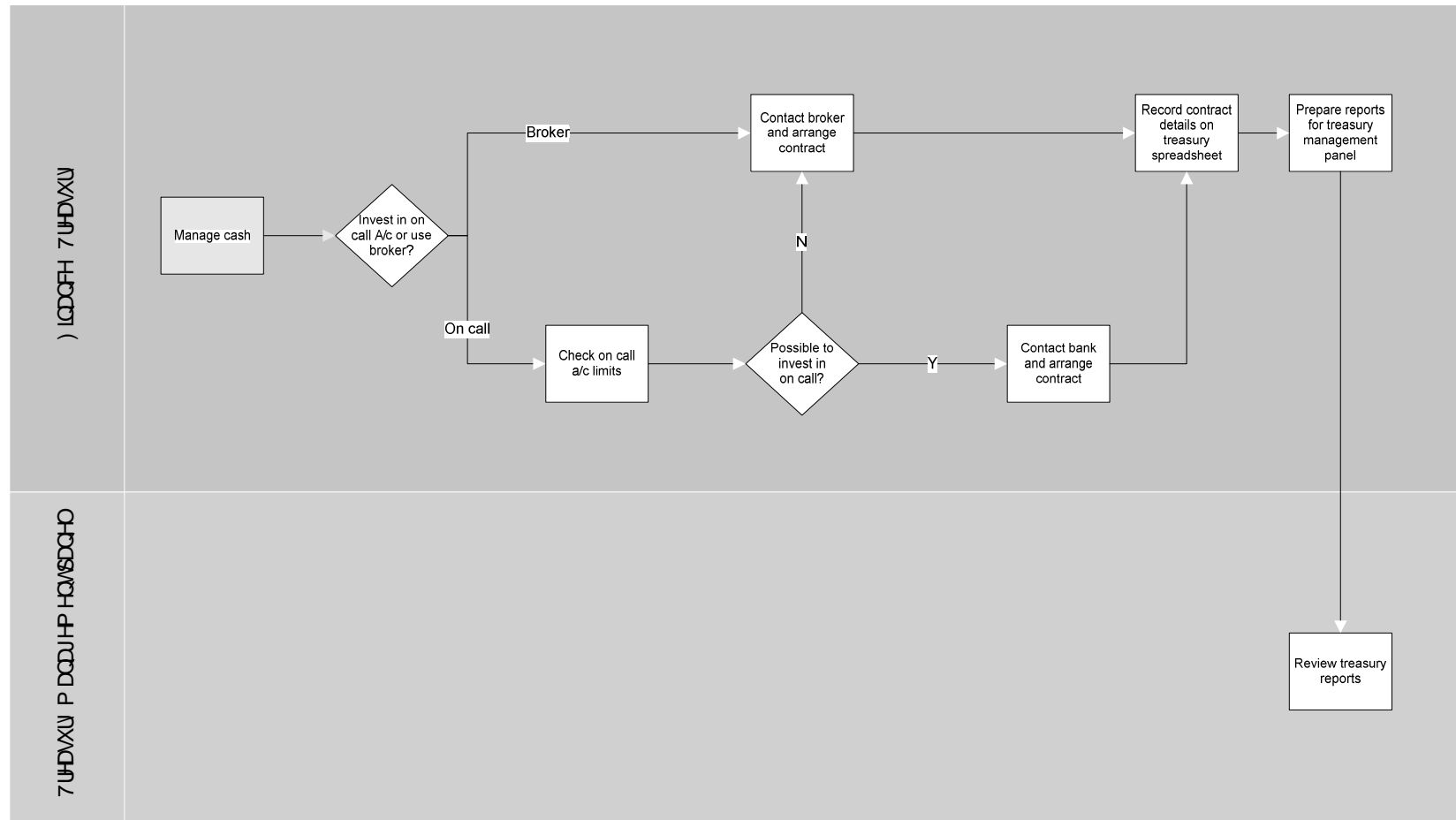
3 Current Operating Model – Existing Treasury Management Processes: Issues Identified

- This is a paper based process relying on information being "phoned in" to finance and recorded manually

- Relevant and complete information isn't always passed to finance as there are no regular and formal channels of communication for this purpose

- Information is recorded in a paper diary (which poses a significant information risk in terms of both resilience and security) and then transferred to an Excel spreadsheet

- There are a number of information sources required to prepare the daily cashflow report

- Investments are manually monitored through the use of an Excel spreadsheet

3 Current Operating Model – Existing Contract Management Processes – Corporate Procurement (1)

Contract Monitoring: KPIs
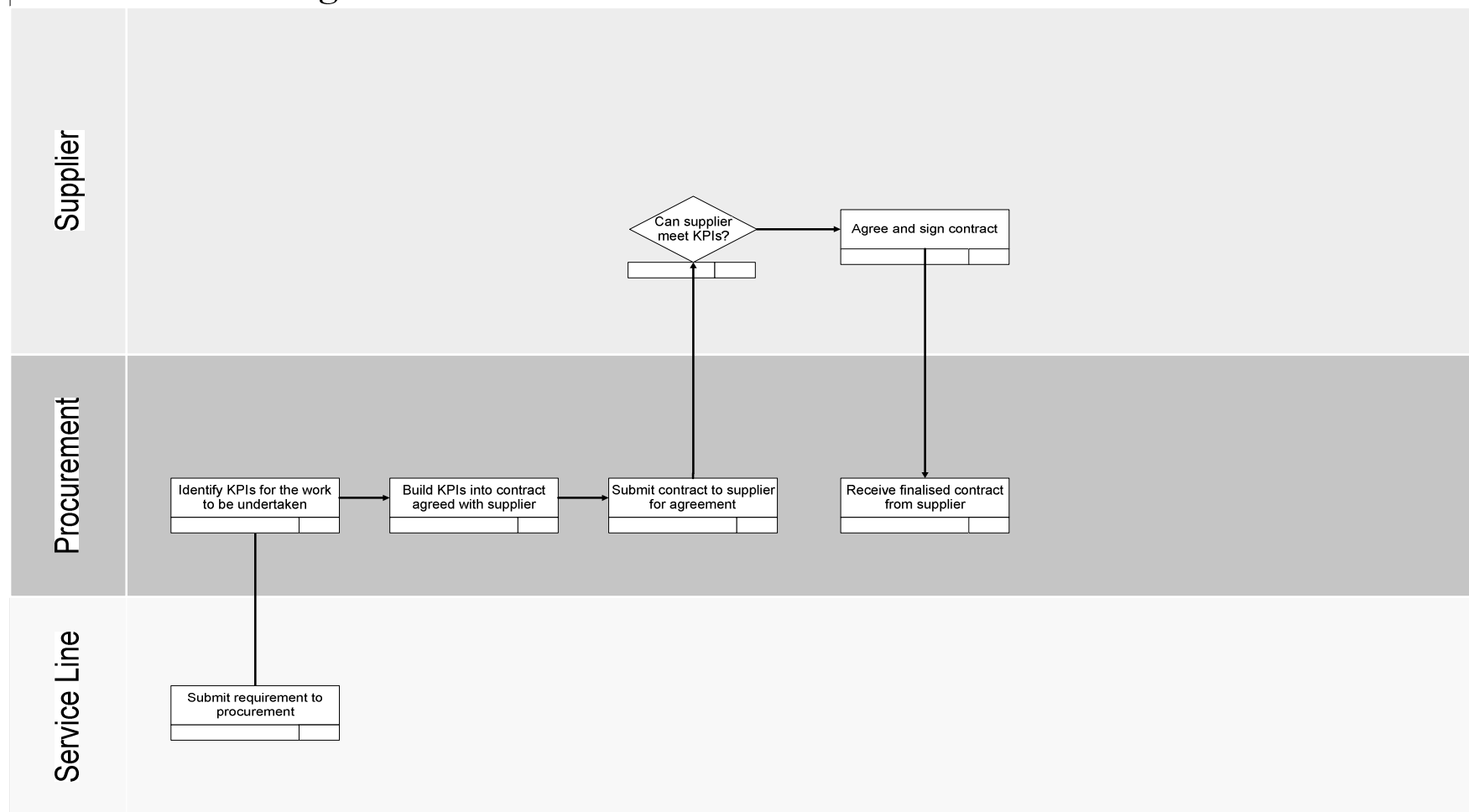
Supplier

Can supplier meet KPIs? → Agree and sign contract

Procurement

Identify KPIs for the work to be undertaken → Build KPIs into contract agreed with supplier → Submit contract to supplier for agreement → Receive finalised contract from supplier

Service Line

Submit requirement to procurement

3 Current Operating Model – Existing Contract Management Processes – Corporate Procurement (2)

3 Current Operating Model – Existing Contract Management Processes – Corporate Procurement (3)

Contract Monitoring: Proactive Monitoring (2)

3 Current Operating Model – Existing Contract Management Processes – Corporate Procurement (4)

Contract Monitoring: Proactive Monitoring (3)

Supplier

- Collate information on supplier performance
- Submit performance report

Procurement

- Request report from supplier
- Analyse performance report
- Is supplier performing adequately?
  - Yes → No further action required
  - No → Analyse severity of performance failure
- Is performance failure severe?
  - Yes → Perform contract review with supplier
  - No → Resolve issue through informal discussion with supplier
- Agree action plan with supplier
- Review subsequent performance against action plan
- Is supplier performing adequately?
  - Yes → No further action required
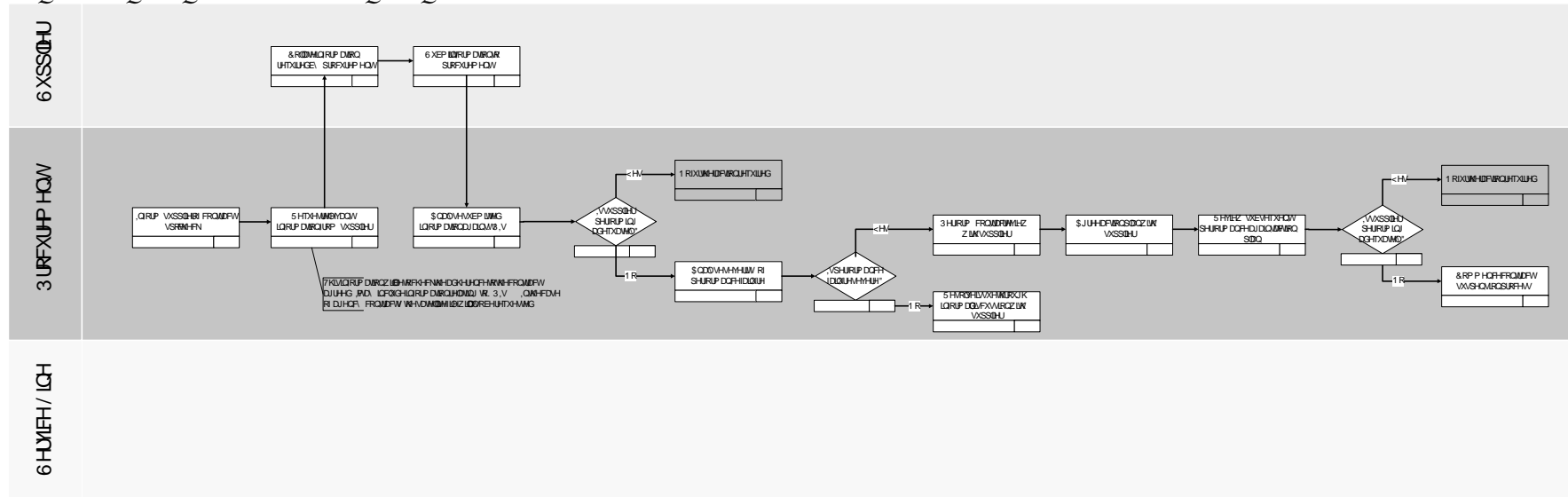 - No → Commence contract suspension process

Service line

3 Current Operating Model – Existing Contract Management Processes – Corporate Procurement (5)

Contract Monitoring: Reactive Monitoring
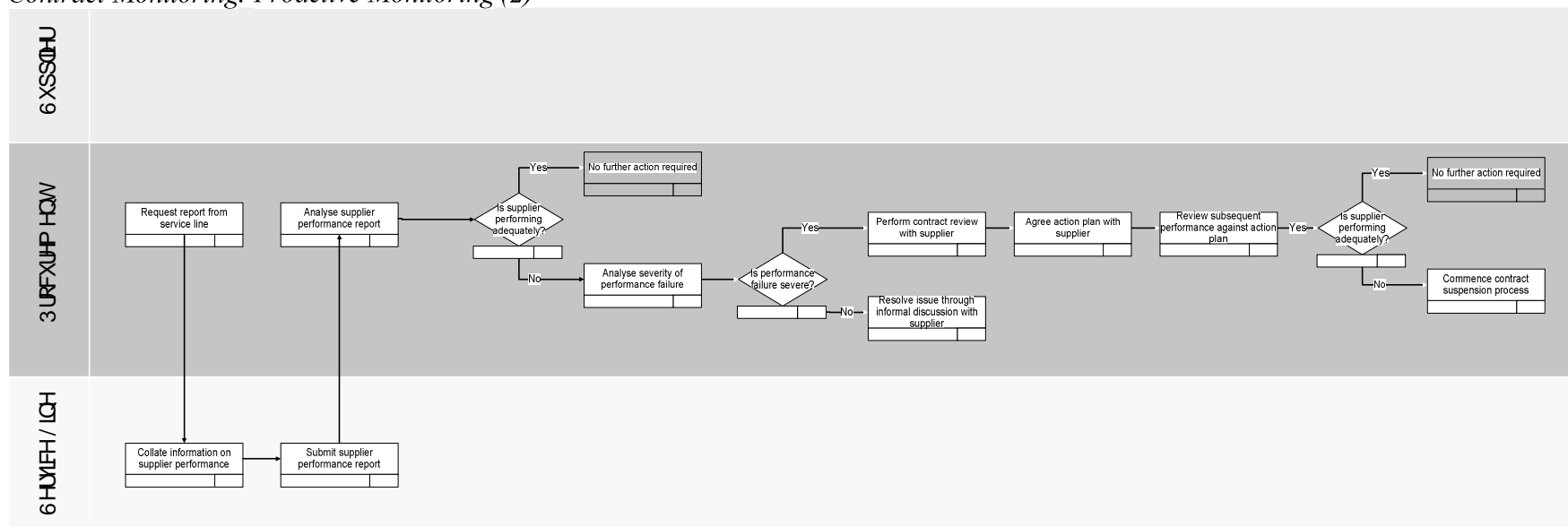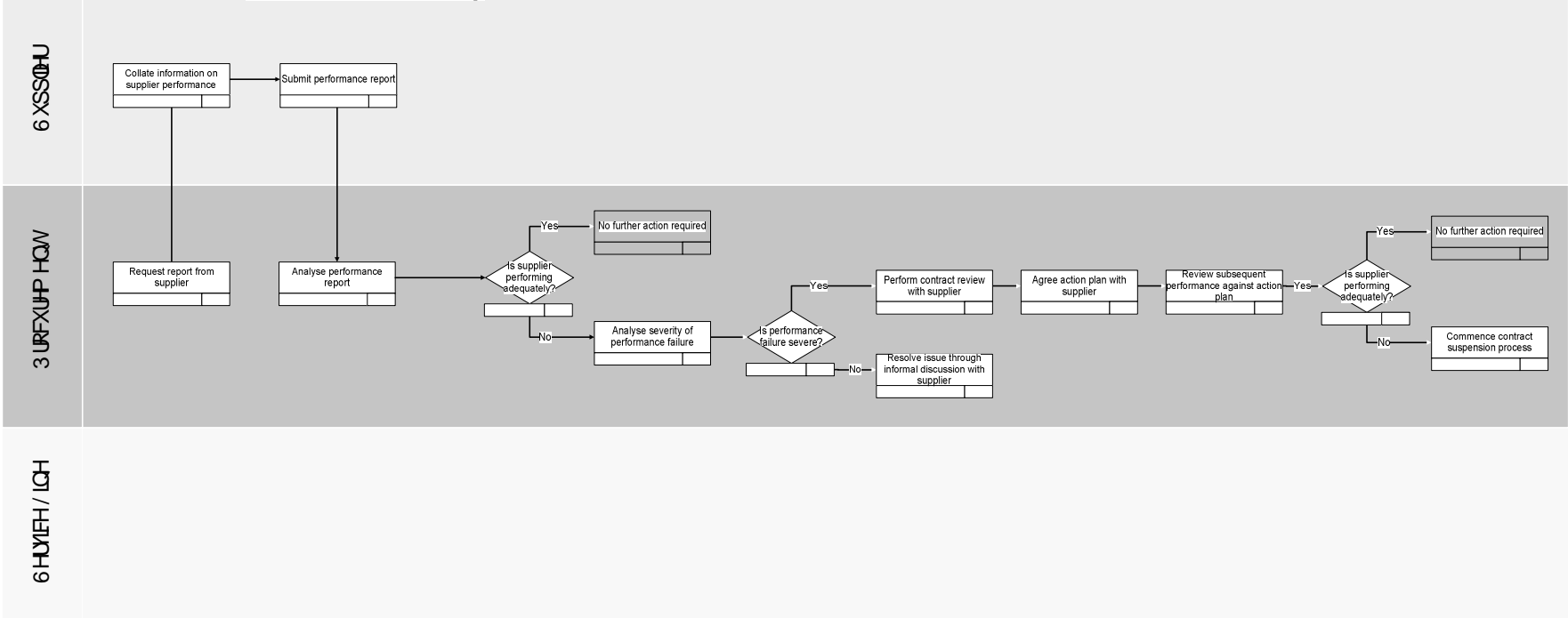
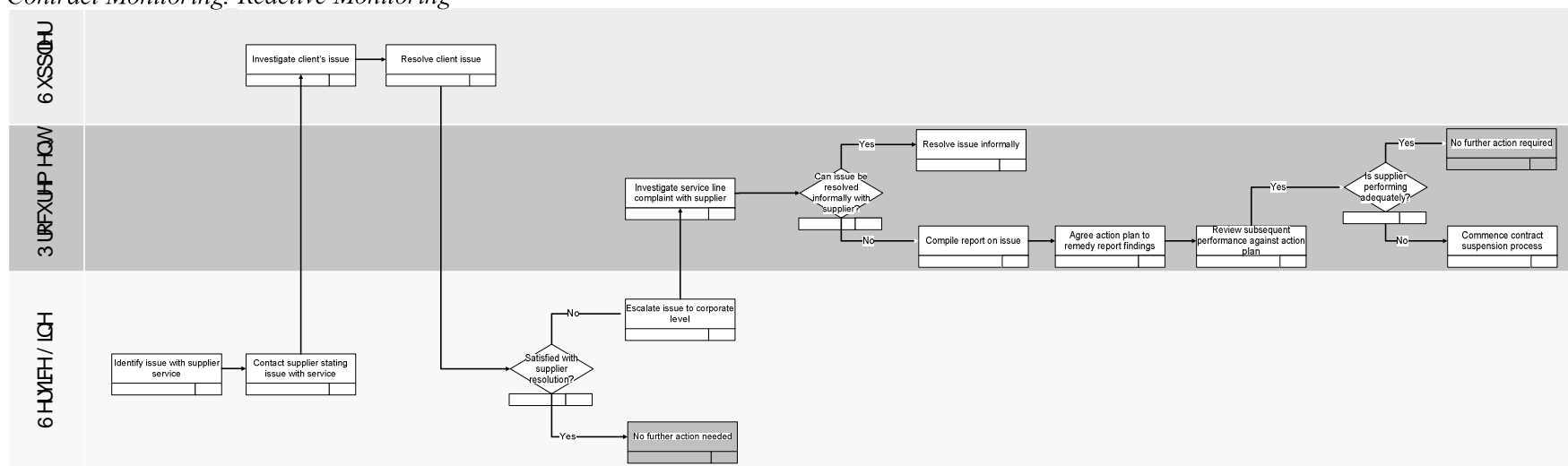# 3 Current Operating Model – Existing Contract Management Processes – Property Services (6)
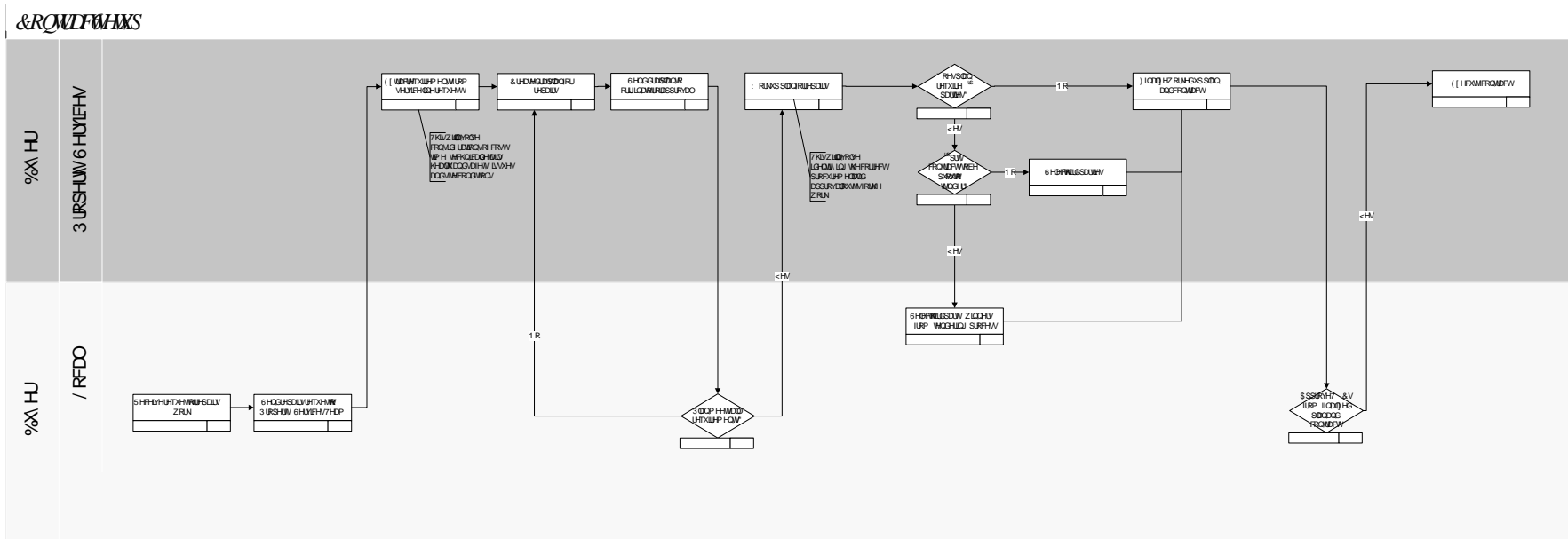
3 Current Operating Model – Existing Contract Management Processes – Property Services (7)
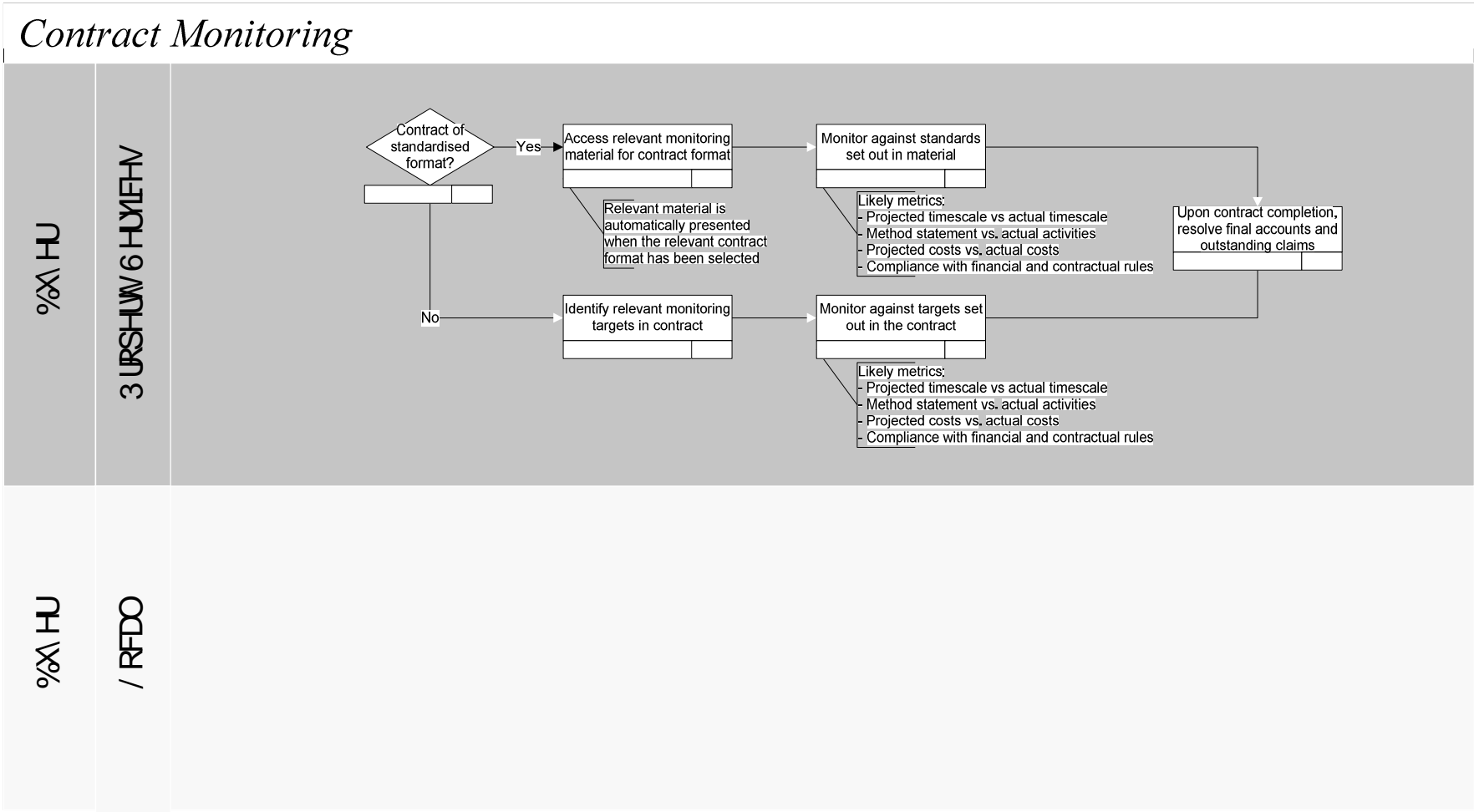
3 Current Operating Model – Contract Monitoring: Issues identified

- Contract monitoring arrangements tend to be ad hoc in nature with no formal systems currently being used to undertake this process

- Responsibility for contract monitoring is not clearly defined within the Council, resulting in this activity not being undertaken consistently across the organisation

- Where contract monitoring activities are undertaken, they are currently resource intensive

- There is no facility for storing standard contract terms/templates for use across the organisation, based on best practice

- There is no facility for managing tendering exercises/quotations electronically

- There are no facilities for electronic management of contracts thus facilitating on-line contract negotiation, update and performance monitoring

- There is no automatic notification of the need for contract review

- There is no mechanism for automatically suspending trading activities with a non-performing contractor

4 Future Operating Model - Vision

"To maximise use of the Oracle ERP System within the Council, implementing iProc and Oracle Financials in a manner that:

- *assists service users to deliver their financial management responsibilities;*

- *improves governance and accountability;*

- *improves the overall efficiency and effectiveness of finance and procurement processes; and*

- *leads to a reduction in bureaucracy/duplication, with associated cost savings being realised"*

4 Future Operating Model - Summary

Procurement
- Development of procurement strategy / policy
- Strategic management of contracts

Service Lines

P2P
- Generation and approval of purchase requisition and purchase order
- Receipt of goods and services and matching on Oracle
- Approval of unmatched invoices

Accounts Receivable
- Generation of sales invoices / credit notes / standing charges
- Debt management

Budgeting & Management Reporting
- Update and approval of services line budgets
- specification and generation of services line reports
- Management/monitoring of budgets

Contract Monitoring
- Monitoring of supplier performance

Common Services

P2P
- iProc administration and support
- Maintaining master data
- Forwarding approved POs to suppliers
- Receipt of supplier invoices
- Payment of matched / approved invoices

Accounts Receivable
- Dispatch of sales invoices / credit notes
- Receipt of customer payments
- Debt management

General Ledger
- Maintenance of master data
- Month end / year end close down
- Support to financial system

Finance

Budgeting & Management Reporting
- Overall control / co - ordination of budget setting process
- Upload of consolidated approved budget onto Oracle
- Set up of standard management reports
- Assistance to budget holders in setting / managing budgets

Treasury Management
- Cash and treasury management

4 Future Operating Model – Procure to Pay: Principles to be Applied (1)

– iProc will be used to generate purchase orders for all Council supplies, unless it can be demonstrated that it is not appropriate for this purpose, in which case an interface must be built to the appropriate system

– Purchases from unapproved Council suppliers to only be made in exceptional circumstances where the benefit of their sue can be clearly demonstrated

– Use of supplier catalogues to be maximised

– P-cards to be used for low value, high volume items (value to be defined)

– Appropriate data cleansing and data input activities to be undertaken prior to implementation of new system

– Requisitions/Purchase orders to be generated by service users through iProc

– Electronic connection to suppliers for Procure to Pay to be included in future specifications for services

4 Future Operating Model – Costs of Target Operating Model

An estimate of the efficiency that can be realised by the new Target Operating Model within Finance, Financial Administration and Corporate Procurement has been calculated and revised costs are outlined below.

Business Unit	Services Provided in relation to the following workstreams	FTE utilised in service provision	Cost of service provision (£)
Finance	Budgeting & Management Reporting	24.49	812,928
	Treasury Management	3.31	118,040
	Management/Out of Scope	29.57	1,208,191
		57.37	2,139,159
Common Services	Procure to Pay	22.28	515,485
	Accounts Receivable	30.49	689,720
	General Ledger	8.43	275,741
	Management/Out of Scope	29.57	700,743
		85.24	2,181,689
Corporate Procurement	Procure to Pay	1.02	47,493
	Out of Scope	14.98	600,055
		16.00	647,548
Overhead @ 4%			**198,729**
Total		**158.61**	**5,166,855**

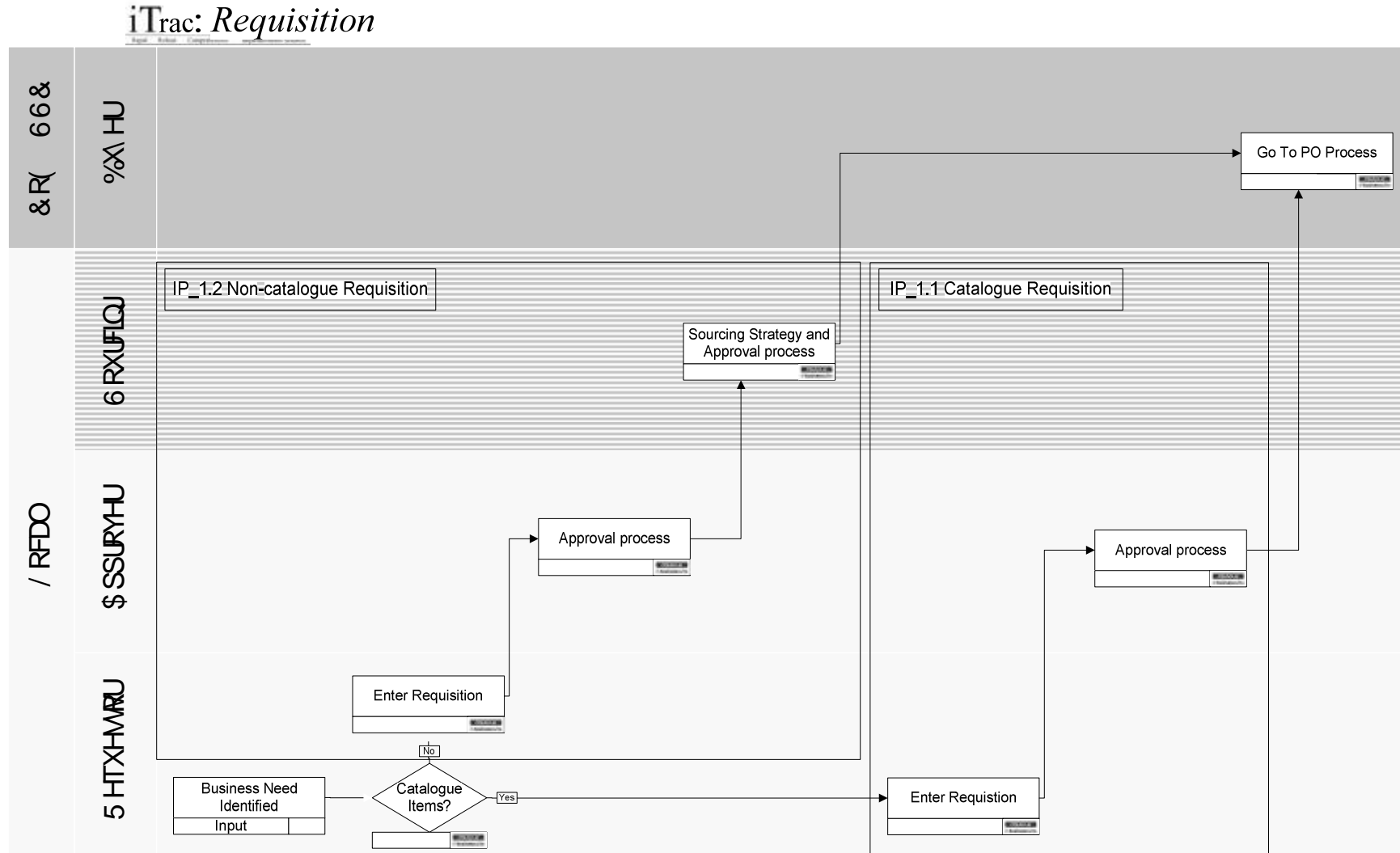## 4 Future Operating Model – Procure to Pay: Principles to be Applied (2)

– Receipting on the system to be undertaken by service users (based on GRN/delivery note)

– Appropriate tolerances to be built into the matching systems

– Appropriate user training and support to be provided

– All invoices to be received in a central shared service centre

– Where invoices are matched on the Oracle AP system, no further approvals from budget holders to be required prior to payment

– Unmatched invoices only to be workflowed to service users for approval

– Where electronic approval of purchase orders/invoices is received, there will be no need for manual signatures or 'birdcage'

Key Task	Central Finance	Finance Managers (Service Line)	Comon Service Centre	Corporate Procurement	Service Lines	Total
Procure to Pay						
Total FTEs	0.00		22.28	1.02		23.30
Total Cost	0		515,485	47,493		562978
Development of procurement strategy, policy and procedures			**Out of Scope**			
Negotiating and Managing Contracts			**Out of Scope**			
Monitoring Contracts			**Out of Scope**			
Creating and Maintaining Supplier Catalogues			●			
iProc Administration			●			
Vendor Management - generating requsts for change to master data					●	
Vendor Management - processing of changes to master data requests			●			
Generation and approval of Purchase Requisiitons on iProc					●	
Generattion of approved iProc Purchase Orders and Management of Requisition Pool			●			
Forwarding of approved iProc Purchase Orders to suppliers			●			
Receive Goods and Services and Receipt on iProc					●	
Receipt of Invoices and Approval of Matched Invoices			●			
Approval of unmatched invoices					●	
Payment of Suppliers			●			
Generation of Internal Trading Requisiiton					●	
Generation of Payments re Internal Trading					●	

Raising Requisitions

iTrac: *Requisition*

IP_1.2 Non-catalogue Requisition

IP_1.1 Catalogue Requisition

Go To PO Process

Sourcing Strategy and Approval process

Approval process

Approval process

Enter Requisition

Enter Requistion

Business Need Identified

Input

Catalogue Items?

No

Yes

4 Future Operating Model – Procure to Pay: Standard Oracle Operating Procedures (2)

Purchasing Part 1

Purchasing Part 2

iT_{rac}: *Purchasing*

PO_2.3 AutoCreate Purchase Orders / PO Document Creation

Document Complete & Ready for Requisitions
Output

No

Initiated By Requisition?

Yes

Auto-create PO or Blanket Release

Prepare/Print Purchase Order

Dispatch Purchase Order

Notify Sourcing and Requestor

PO Approval process

CPA approval process

Catalogue management
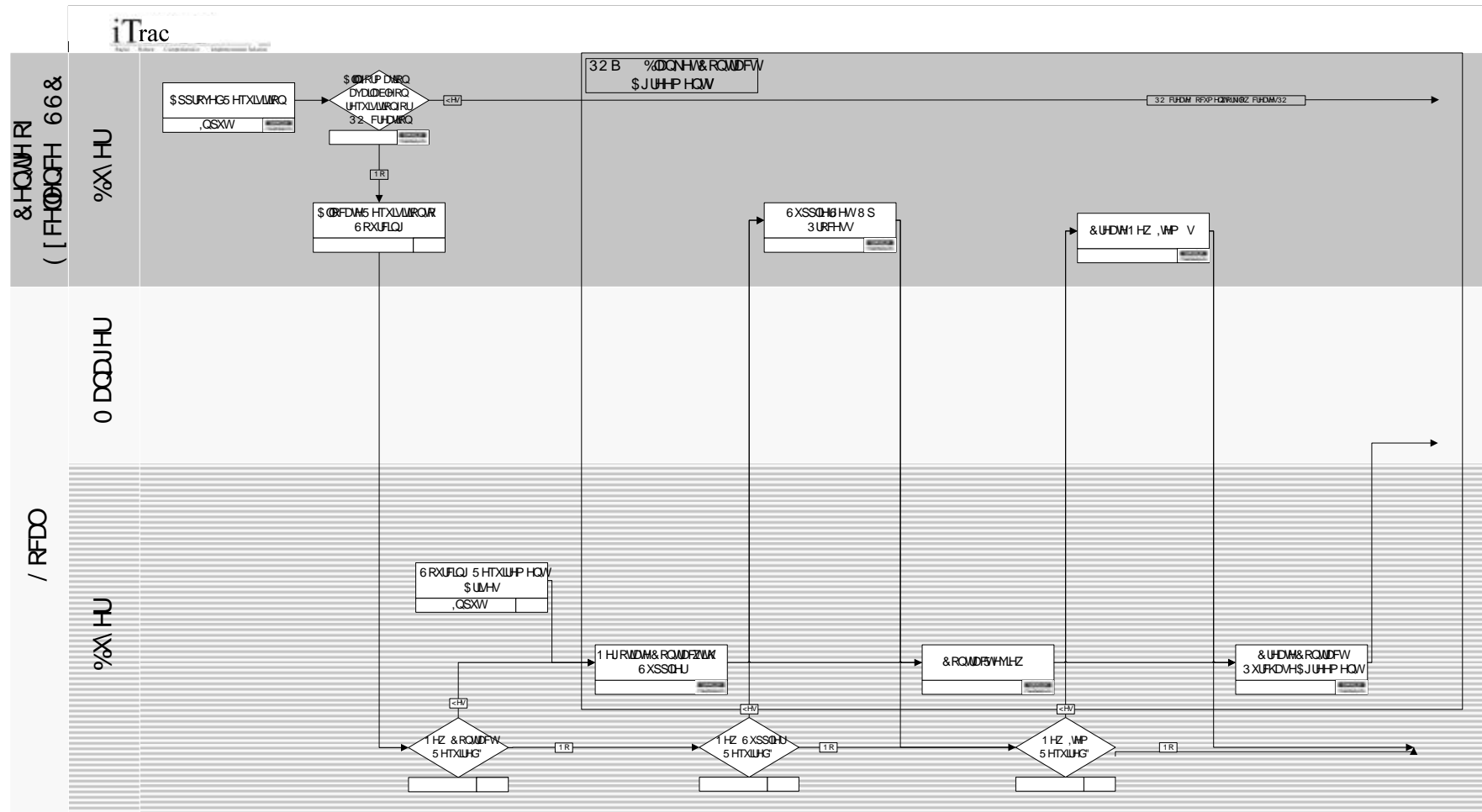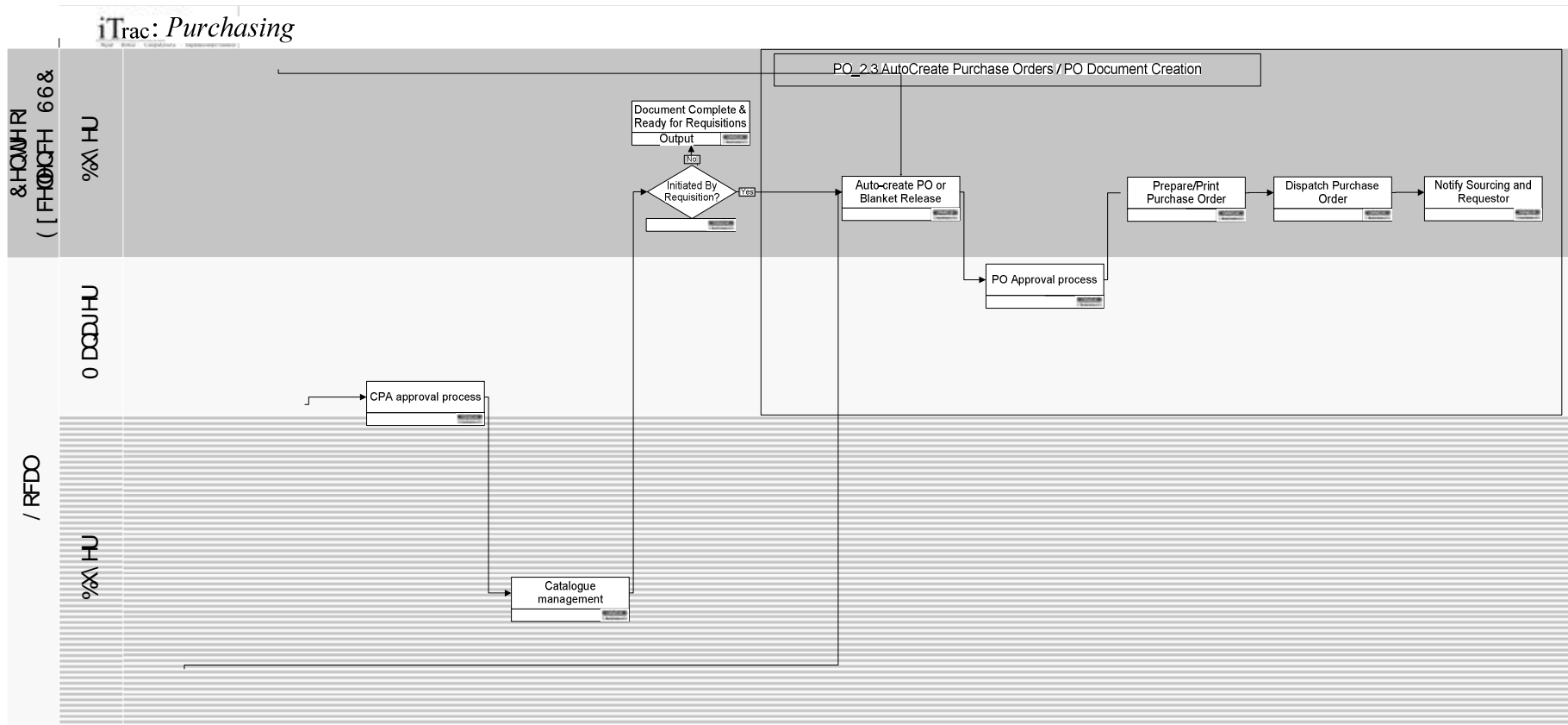
4 Future Operating Model – Procure to Pay: Standard Oracle Operating Procedures (4)

Goods Received

4 Future Operating Model – Procure to Pay: Standard Oracle Operating Procedures (5)

Accounts Payable Part 1

iTrac : *Accounts Payable*

AP_1.1 Invoice Entry (With PO)

Receive Supplier Invoice → Correct PO # quoted? — Yes → Enter Invoice Header → Match to Receipt (3-Way Match) → Validated Invoice

Match to PO (2-Way Match)

Return Invoice to Supplier

Receipt Query

Purchase Order (Input)

AP_1.2 Invoice Entry (Without PO)

Receive Supplier Invoice → Requestor Quoted? → Supplier Listed? — Yes → Enter Invoice

New Supplier Process

AP_2 Supplier Payments

Quick Payment? — No → Create Preliminary Payment Register → Format Payment → Payment Transfer → Confirm Payment

Yes → Select Invoice to Pay → Produce Payment → Payment Transfer

Approval Process
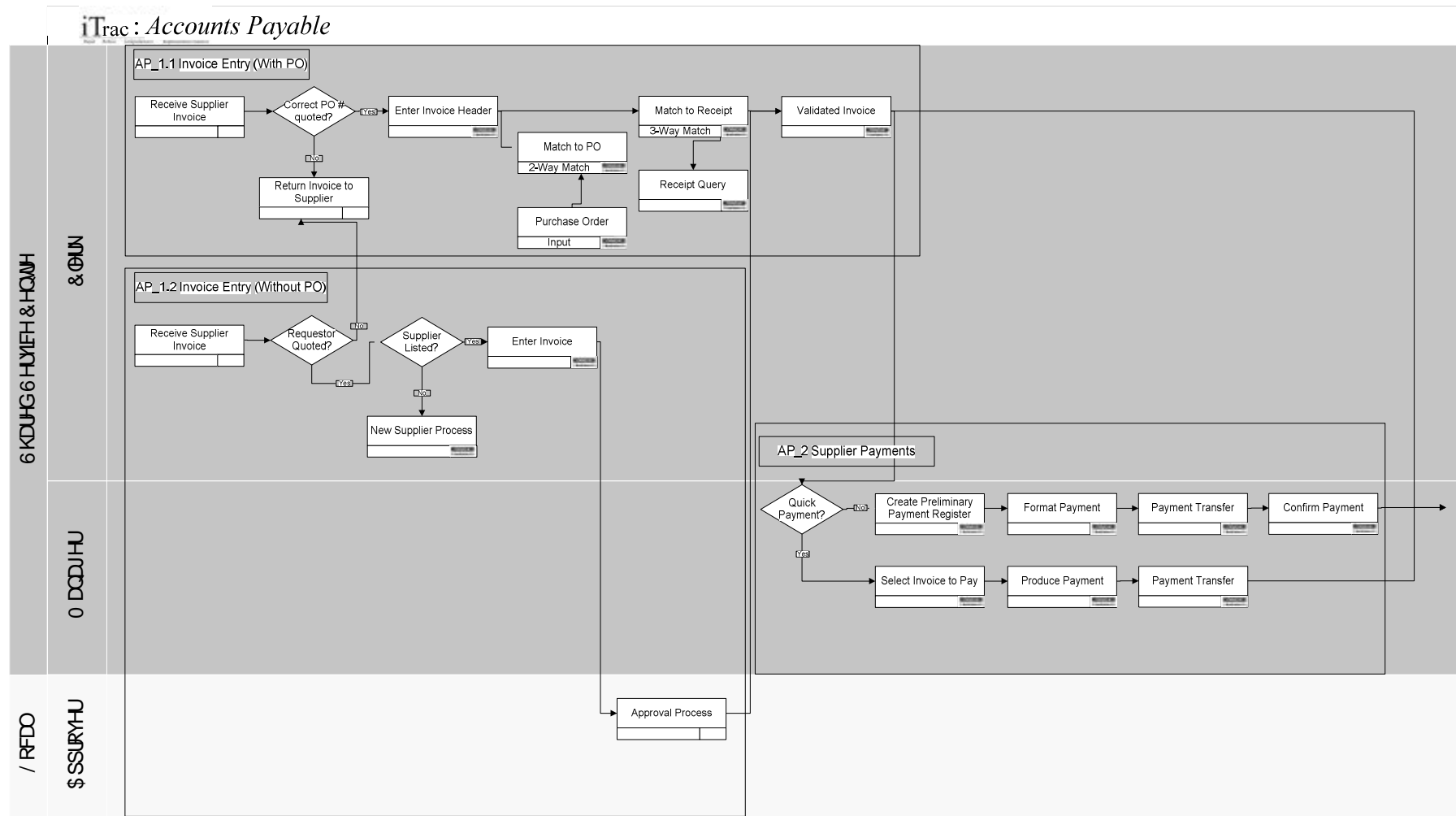
4 Future Operating Model – Procure to Pay: Standard Oracle Operating Procedures (6)

Accounts Payable Part 2

4 Future Operating Model – Accounts Receivable: Principles to be Applied

– Requests for sales invoices and credit notes to be raised electronically by service users

– Responsibility for collection of outstanding debts to remain with service users responsible for the service supplied

– Debt management processes to be improved, with necessary information provided to all service users

– Use of sundry debtors to be minimised

– Manual process of raising a pro forma invoice to correct overpayments to be automated

– Cash handling to be minimised

– Payment in advance of service provision to be used, where possible
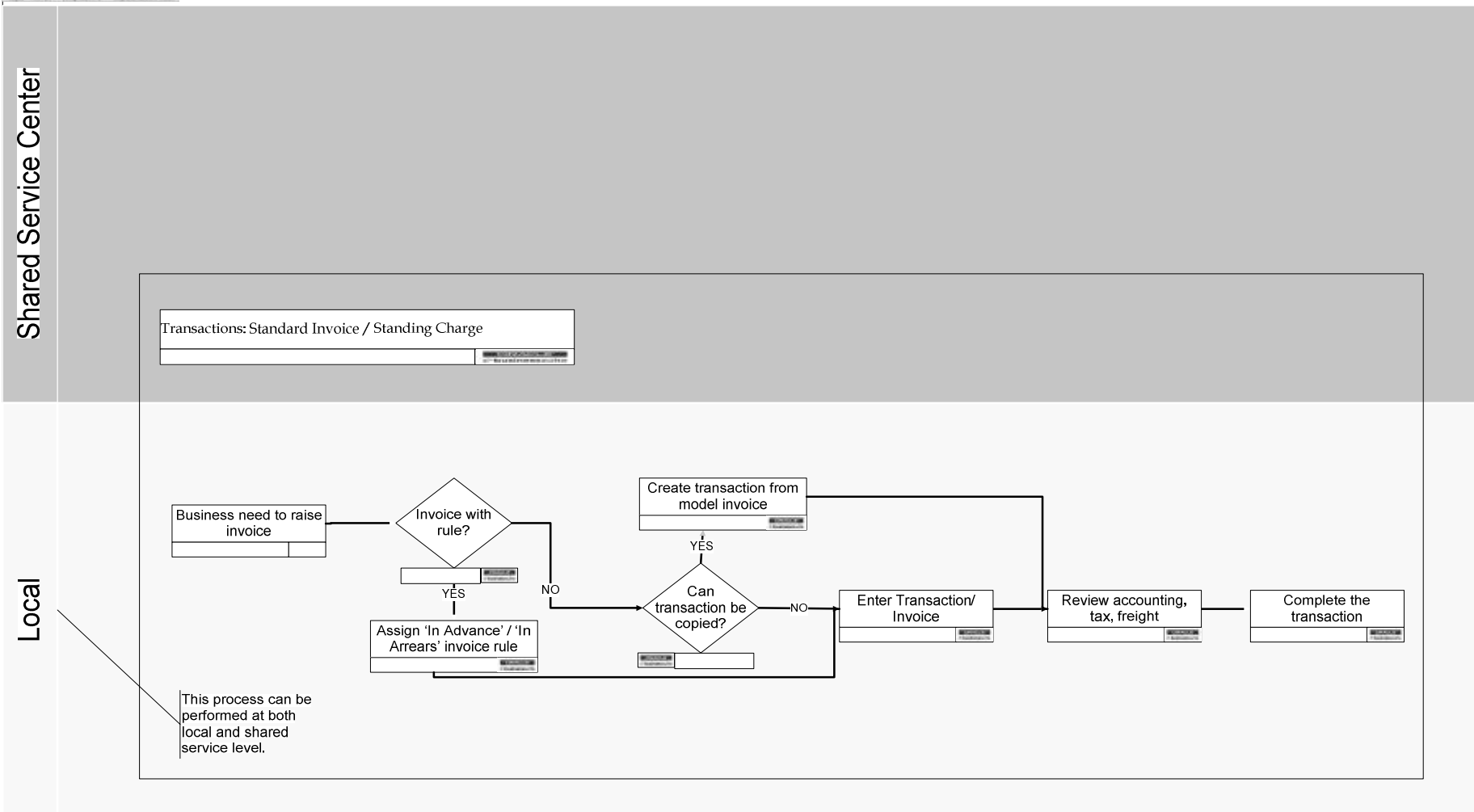
4 Future Operating Model – Accounts Receivable: Future Organisational Arrangements

Key Task	Central Finance	Finance Managers (Service Line)	Comon Service Centre	Corporate Procurement	Service Lines	Total
Accounts Receivable						
Total FTEs	0.00		30.49			30.49
Total Cost	0		689,720			689720
Generation of invoice/credit note/standing charges in Oracle Financials					●	
Dispatch of Sales Invoices to Customers			●			
Receipt of customer payments			●			
Management and interfacing of IMP system re customer income to Oracle Financials			●			
Review of Aged Debtors and Management of Old Debts			●		●	
Customer Management - generation of requests to set up new customers					●	
Customer Management - generation of requests to set up new transaction types					●	
Customer Management - processing requests to set up new customers/new transaction types			●			
Correcting Overpayments			●			
Generation of Internal Trading Requisiiton					●	
Generation of Payments re Internal Trading					●	

Standard Invoice/Standing Charge

iTrac : *Accounts Receivable*

Shared Service Center	Transactions: Standard Invoice / Standing Charge
Local	

Business need to raise invoice

Invoice with rule?

YES

Assign 'In Advance' / 'In Arrears' invoice rule

NO

Create transaction from model invoice

YES

Can transaction be copied?

NO

Enter Transaction/ Invoice

Review accounting, tax, freight

Complete the transaction

This process can be performed at both local and shared service level.

4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (2)

Raising Credit Notes/Entering Cash
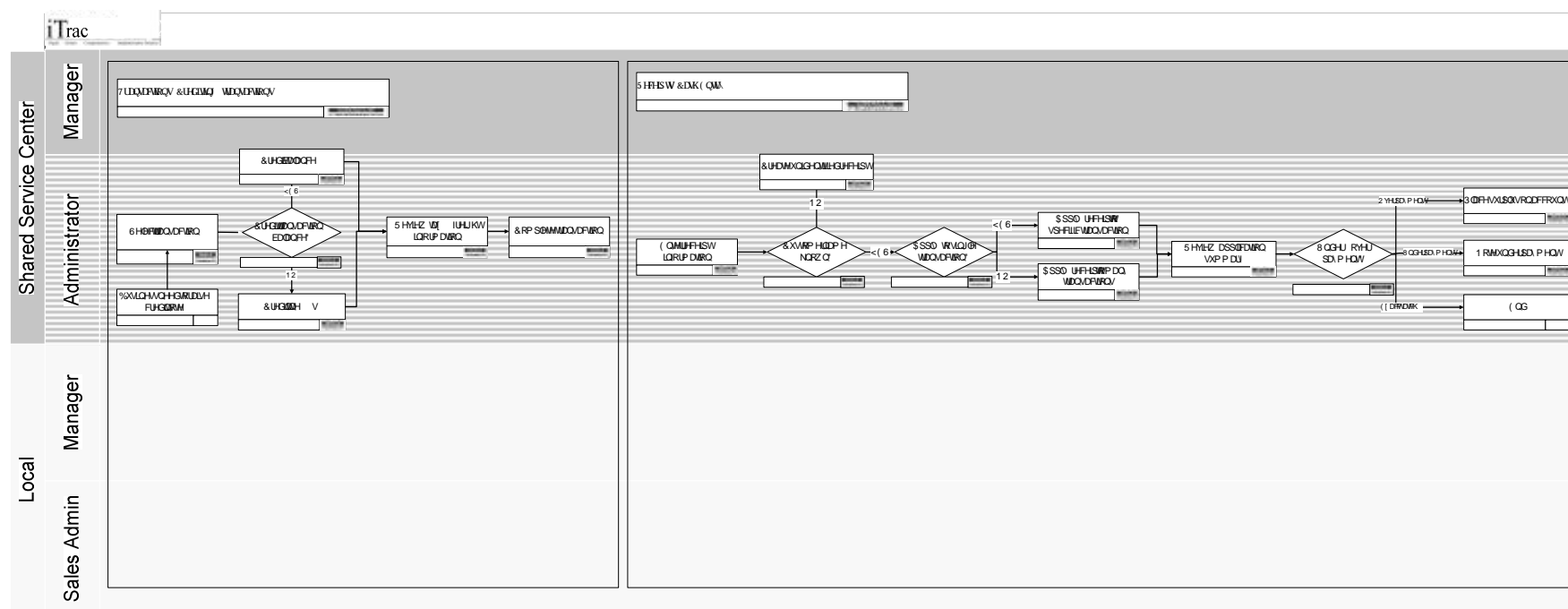
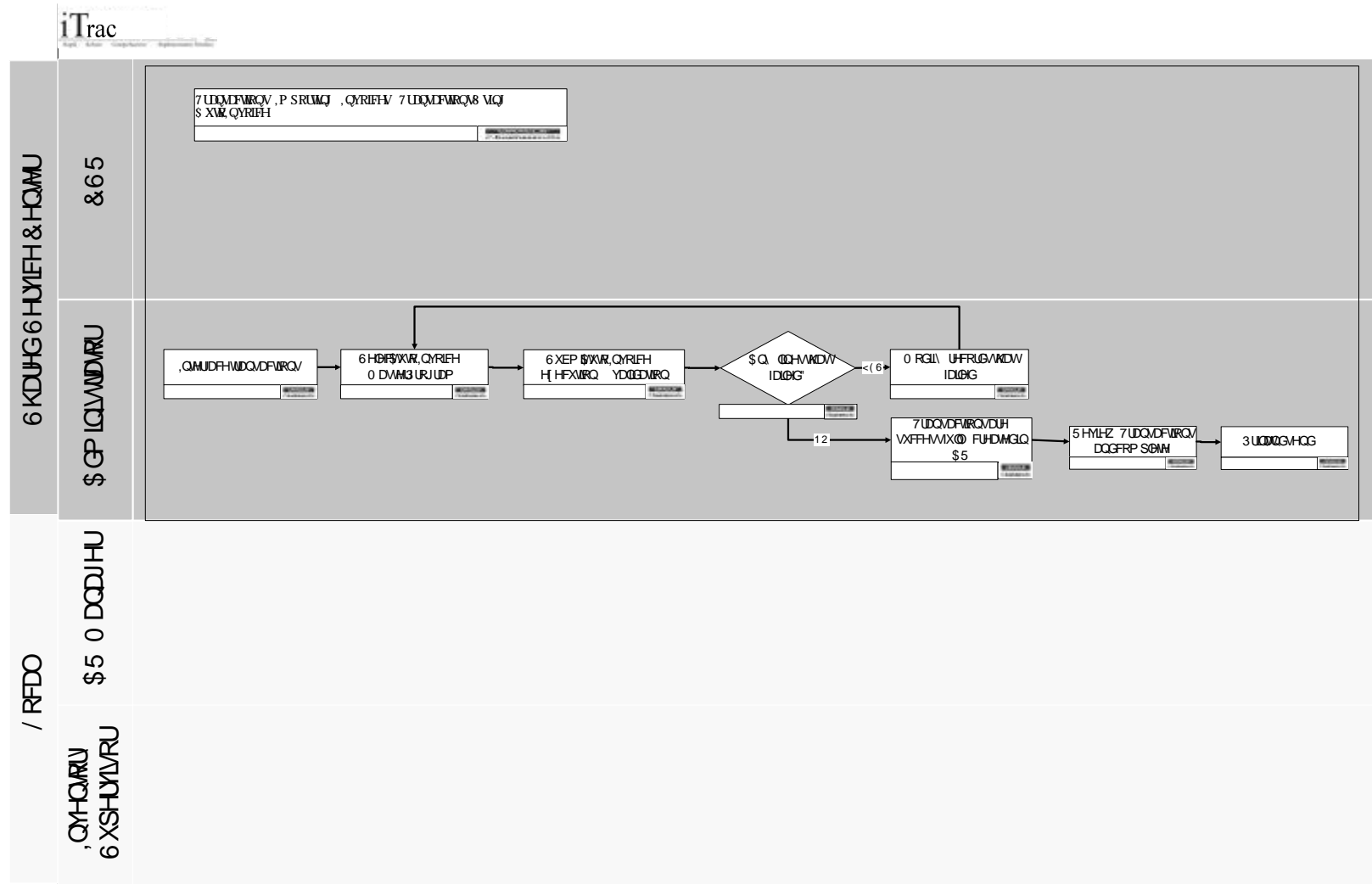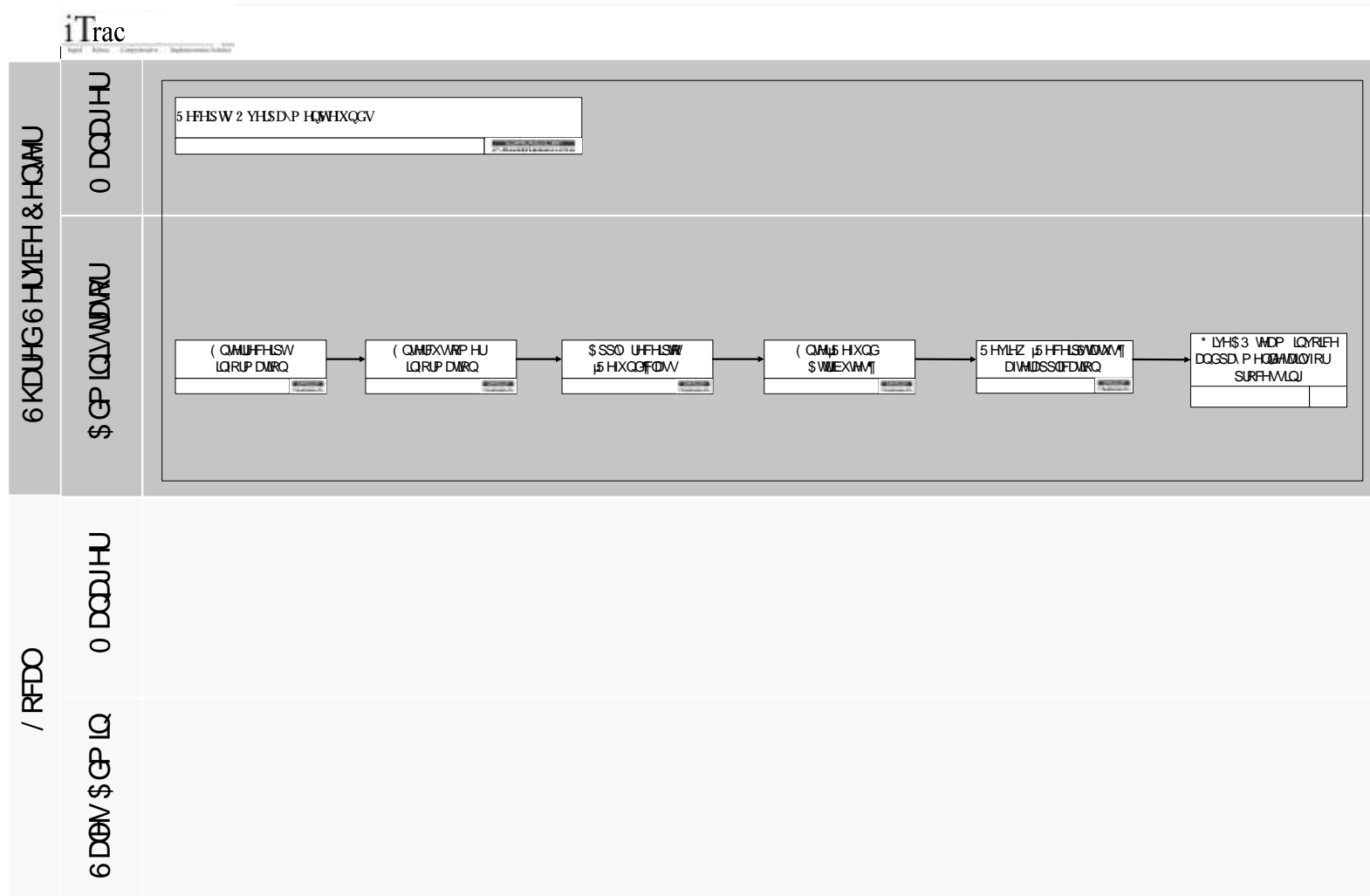# 4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (3)
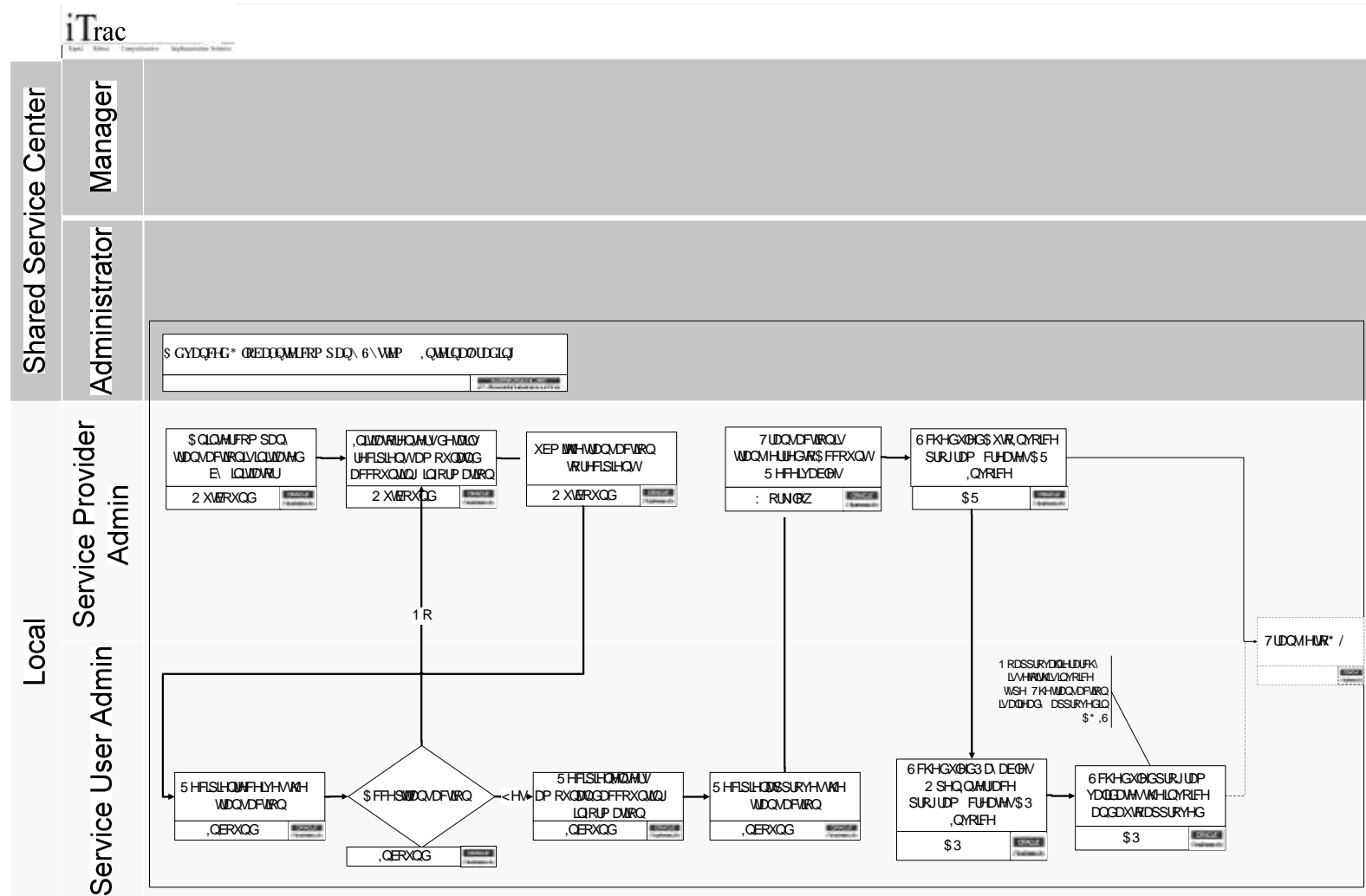
Auto-invoicing

4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (4)

Refunding Overpayments
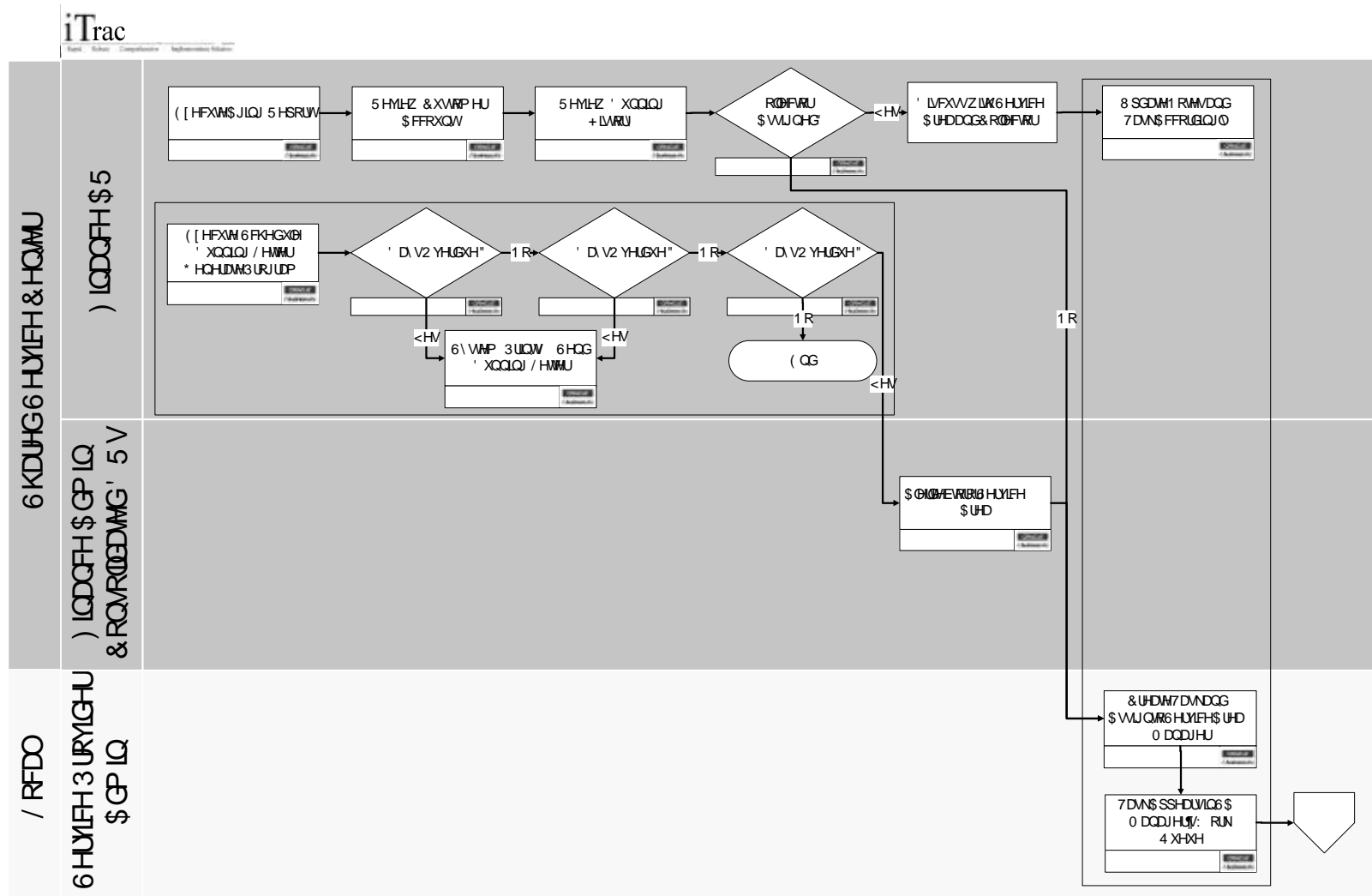
4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (5)

Internal Trading

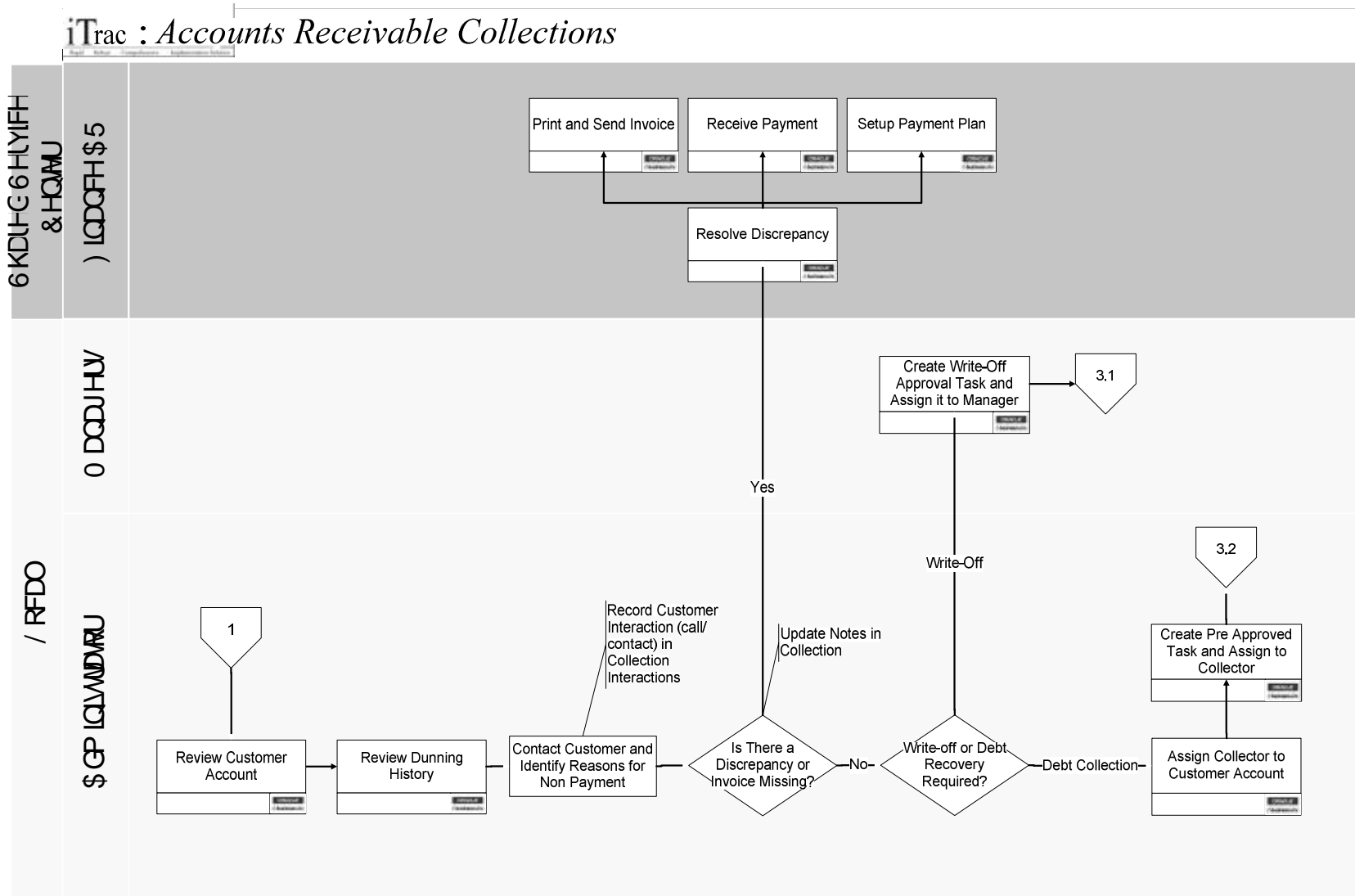# 4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (6)
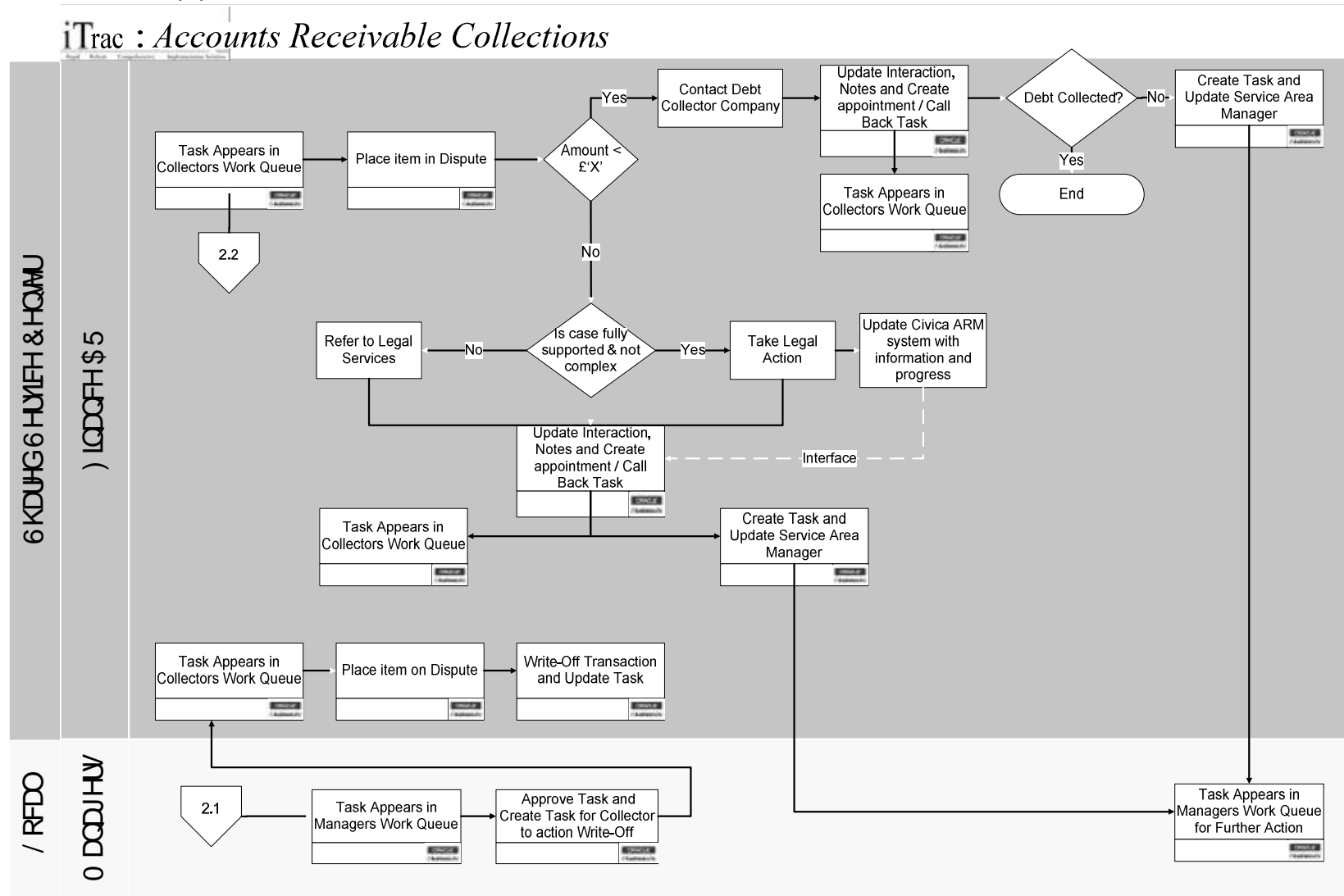
Debt Collection

4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (7)

Debt Collection (2)

4 Future Operating Model – Accounts Receivable: Standard Oracle Operating Procedures (8)

Debt Collection (3)

iTrac : *Accounts Receivable Collections*

4 Future Operating Model – Budgeting and Management Reporting: Principles to be Applied (1)

– Outcome of recent review of cost centre structures and cost codes to be agreed with budget holders and implemented in Oracle

– Agreed cost centre structure to drive budgeting and management reporting processes

– Budgeting module on Oracle to be used to drive budget setting process. Control over this process to be retained by Central Finance

– Oracle workflow processes to be applied to budget approval processes – 3 year rolling budgets to be uplifted to Oracle system

– Detailed payroll information to continue to be maintained in Trent and interfaced at an appropriate level to Oracle

4 Future Operating Model – Budgeting and Management Reporting: Principles to be Applied (2)

– Adjustments for accruals and prepayments to be undertaken in Oracle GL on a quarterly basis

– Oracle to be used as the basis for management reporting in the future

– Real-time, on-line access to Oracle and Trent to be provided to budget holders

– A budgeting and planning product to be used for development of more sophisticated reports, including forecasts

4 Future Operating Model – Budgeting and Management Reporting Organisational Arrangements

| Key Task	Central Finance	Finance Managers (Service Line)	Comon Service Centre	Corporate Procurement	Service Lines	Total
Budgeting and Management Reporting						
Total FTEs	**24.49**					**24.49**
Total Cost	**812,928**					**812928**
Establishment of Corporate Parameters for Budget Setting process	●					
Preparation of Draft Service Line Budgets		●			●	
Approval of Budgets					●	
Upload of Service Line Budgets onto Oracle and Validation Against Cash Limits	●					
Compliation of Budget Monitoring Schedule	●					
Notification of Month-end Close Down and Availability of Oracle Suite of Reports	●					
Generation of Budget Reports and Forecasts					●	
Monitoring of Budgets					●	

4 Future Operating Model – Budgeting and Management Reporting: Standard Oracle Operating Procedures (1)

Budgeting
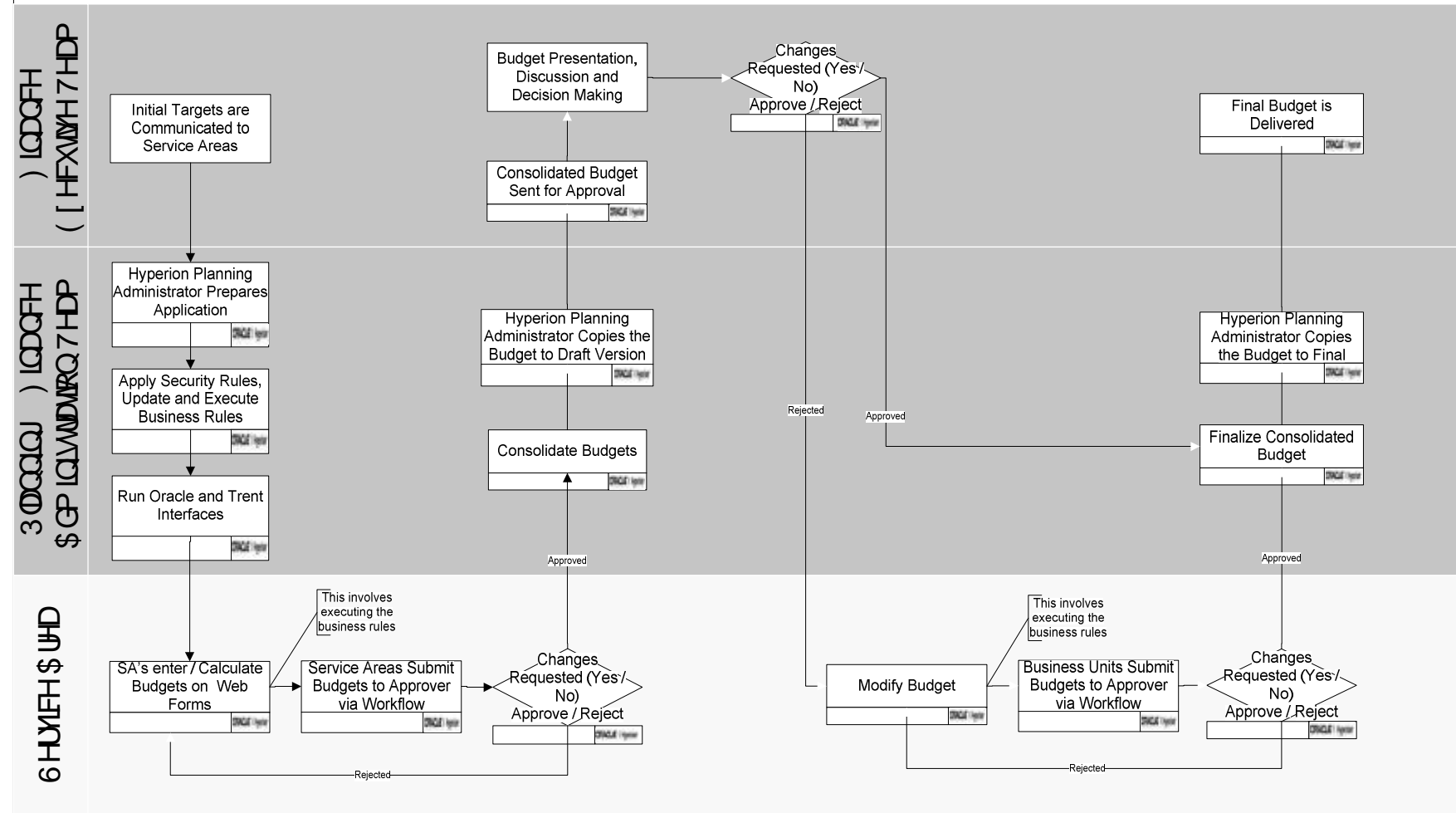
4 Future Operating Model – Budgeting and Management Reporting: Standard Oracle Operating Procedures (2)

Forecasting
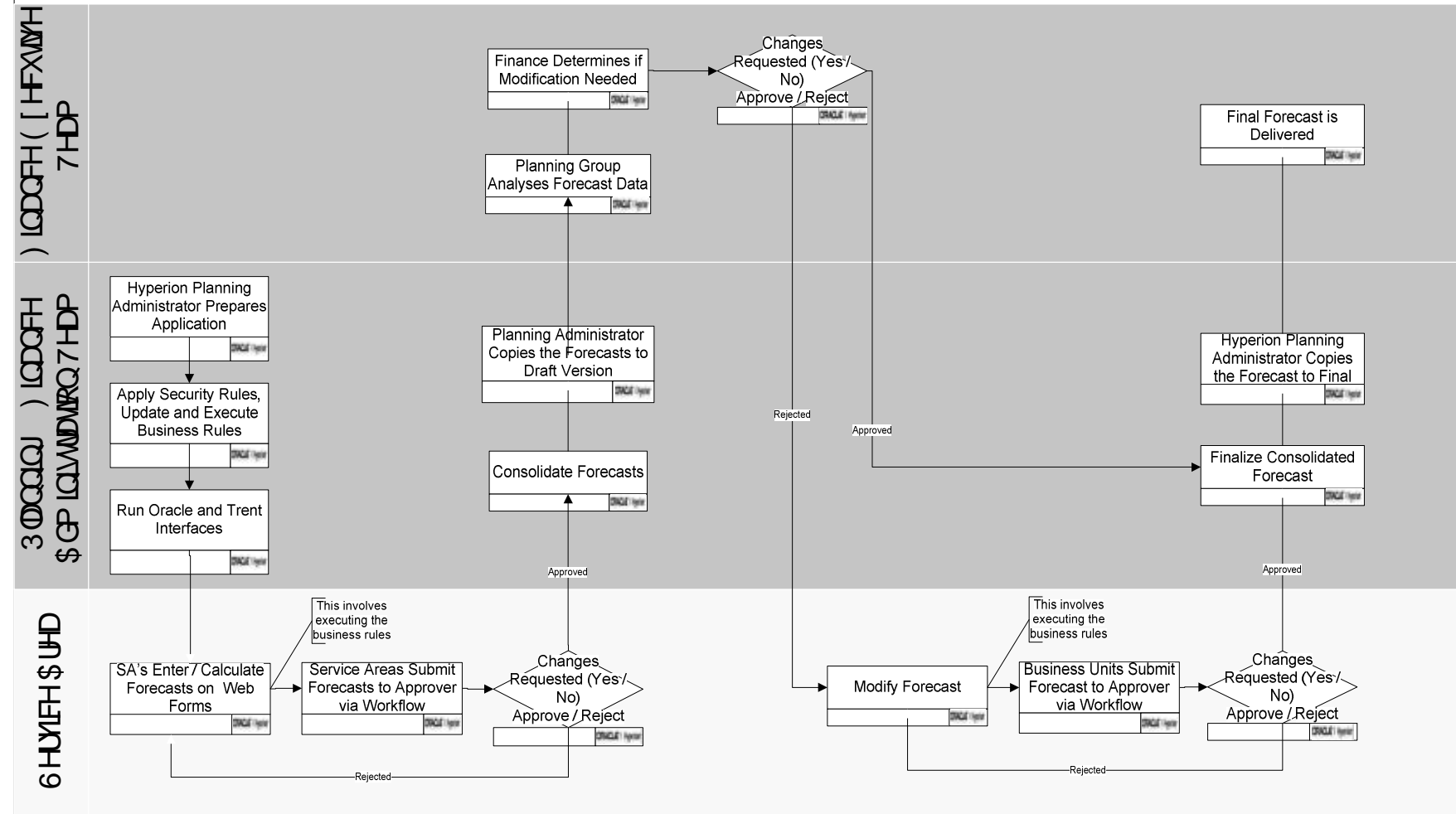
4 Future Operating Model – Budgeting and Management Reporting: Standard Oracle Operating Procedures (3)
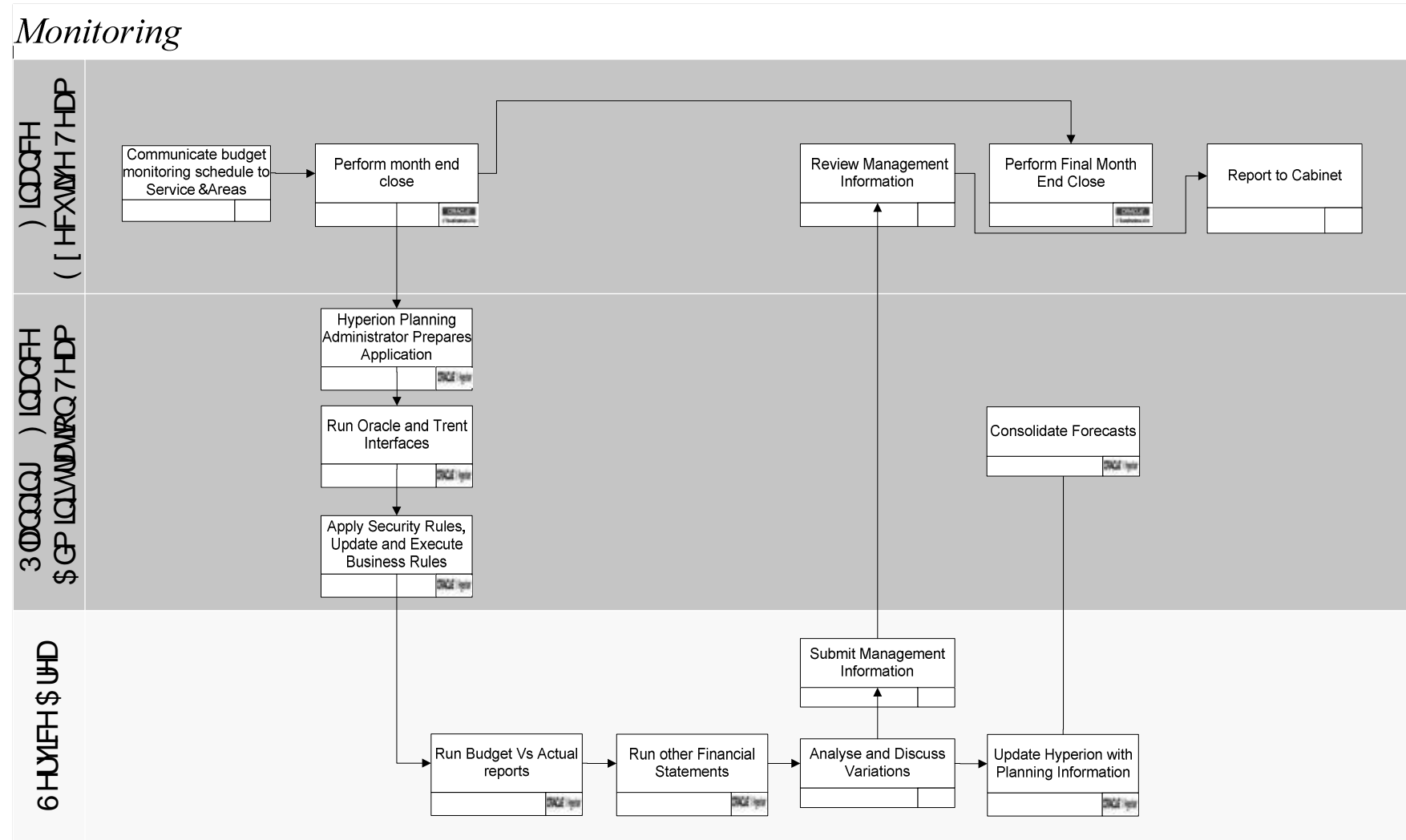
4 Future Operating Model – General Ledger: Principles to be Applied (1)

– All information going into GL to be automated; either from Oracle sub-ledgers or interfaces from supporting systems

– Access to journal creation to be controlled

– Central control to be retained over creation and maintenance of the chart of accounts

– A single chart of accounts to be applied across all systems using financial information. Where systems needs require, mapping tables to be used

– A flexible chart of accounts to be introduced to allow management of programme initiatives, projects, consolidations, recharges etc.

4 Future Operating Model – General Ledger: Principles to be Applied (2)

- A harmonised Council wide month-end close timetable to be introduced based on the Corporate Reporting schedule;
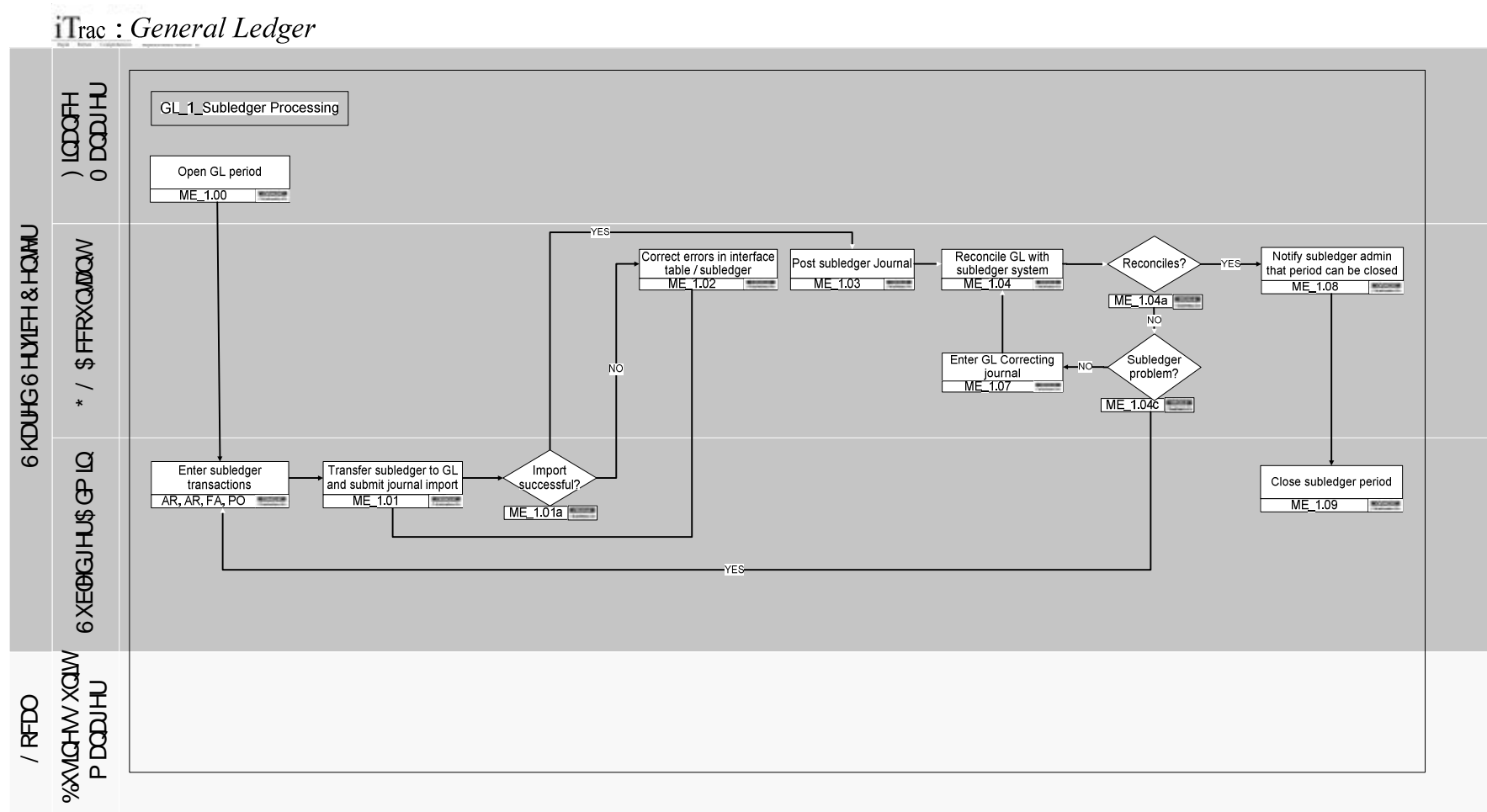
- Responsibility for close down of sub-ledgers and GL to be appropriately allocated;

- Enabling technologies to be utilised, including:

  - Online forms:

    - Request for master data maintenance
    - Journal request forms
    - Debit memo request form
    - Report request forms

  - Workflow.

4 Future Operating Model – General Ledger Future Organisational Arrangements

Key Task	Central Finance	Finance Managers (Service Line)	Comon Service Centre	Corporate Procurement	Service Lines	Total
General Ledger						
Total FTEs			8.43			8.43
Total Cost			275,741			275741
Maintenance of Chart of Accounts			●			
Generation of New Code/Close Code Requests			●		●	
Closure of Accounts Receivable Sub-ledger			●			
Closure of Accounts Payable Sub-ledger			●			
Input of Payroll information to Oracle GL			●			
Input of all other postings/journals to Oracle GL			●			
Systems Support and Maintenance			●			
Final Accounts Preparation	●					

Sub-Ledger Processing

iTrac : *General Ledger*

GL_1_Subledger Processing

Open GL period
ME_1.00

Enter subledger transactions
AR, AR, FA, PO

Transfer subledger to GL and submit journal import
ME_1.01

Import successful?
ME_1.01a

Correct errors in interface table / subledger
ME_1.02

Post subledger Journal
ME_1.03

Reconcile GL with subledger system
ME_1.04

Reconciles?
ME_1.04a

Enter GL Correcting journal
ME_1.07

Subledger problem?
ME_1.04c

Notify subledger admin that period can be closed
ME_1.08

Close subledger period
ME_1.09

YES   NO   YES

4 Future Operating Model – General Ledger: Standard Oracle Operating Procedures (2)

Month End Processing

iTrac : *General Ledger*
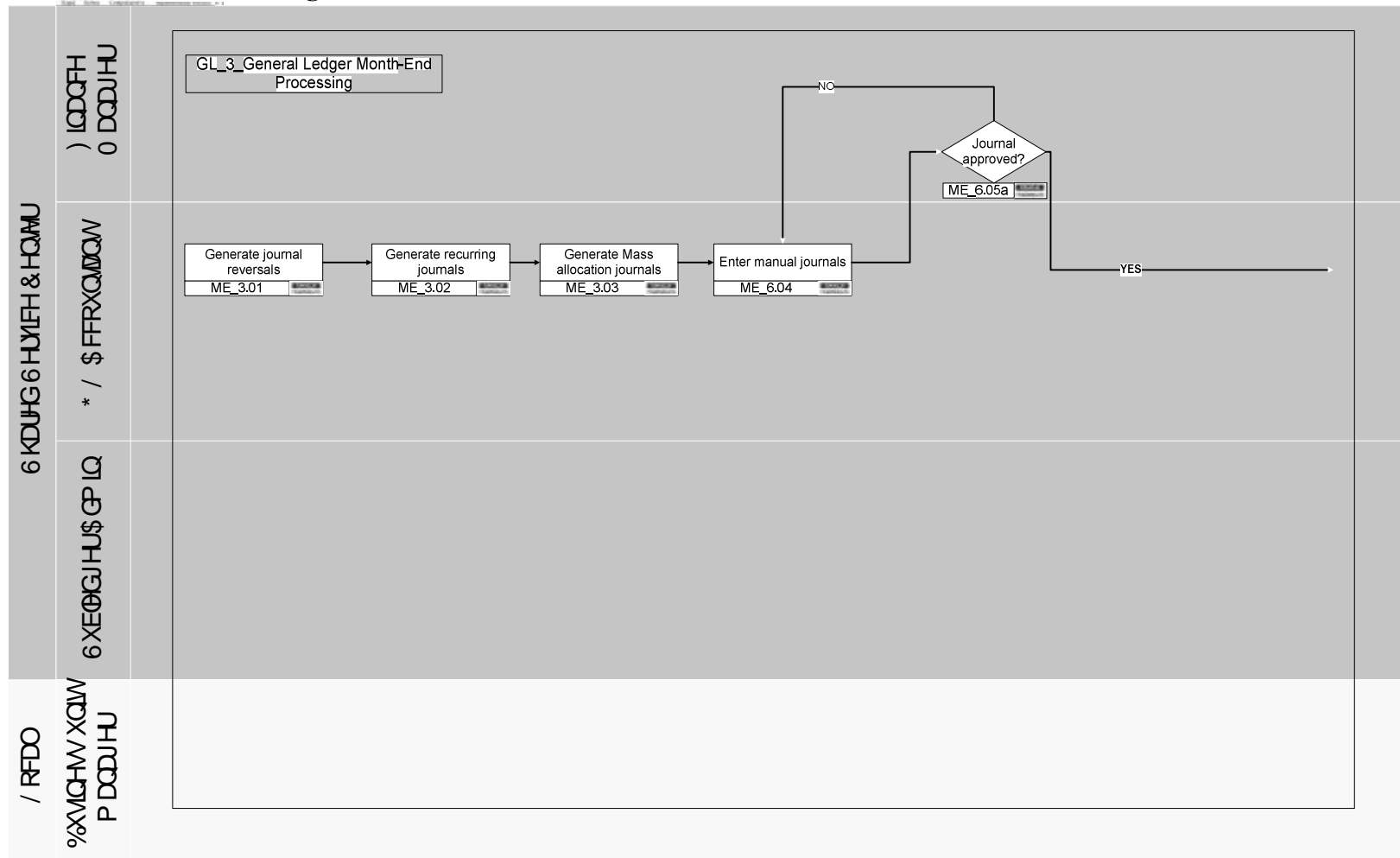
Month End Processing (2)

4 Future Operating Model – Treasury: Principles to be Applied

– Formal processes to be established for cash and treasury management

– These to be automated, where possible, with automatic input from AP and AR systems and bank reconciliation processes

– Investment management process to be formalised and automated, where possible

4 Future Operating Model – Treasury: Future Organisational Arrangements

Key Task	Central Finance	Finance Managers (Service Line)	Comon Service Centre	Corporate Procurement	Service Lines	Total
Treasury Management						
Total FTEs	3.31					3.31
Total Cost	118,040					118040
Treasury Management	●					

4 Future Operating Model – Treasury Management: Standard Oracle Operating Procedures (1)

iTrac *Bank Reconciliation (1)*

Cash Management: Enter and Import Bank Statements and Bank Reconciliation

Load bank statements into CE interface → Import bank statements and submit automatic reconciliation → Reconciliation exceptions? → YES → Prepare outstanding transactions list coming from AP and AR → Reconciliation of exceptions and manual transactions

NO

Manually enter bank statement headers → Manually enter bank statement lines

4 Future Operating Model – Treasury Management: Standard Oracle Operating Procedures (2)

iTrac *Bank Reconciliation (2)*

Cash Management: Enter and Import Bank Statements and Bank Reconciliation

Differences? —YES→ Establish reason for the difference → Bank error? —NO→ Corrective entries required? —NO→ Notify AP / AR Administrator

NO

Bank error? —YES→ Contact bank

Corrective entries required? —YES→ Create Manual Journals in GL or Cash Entry in AR

4 Future Operating Model – Treasury Management: Standard Oracle Operating Procedures (3)

iTrac *Forecasting*

Cash Management: Forecasting Process

Review previous forecast and reconcile opening balance to GL → Collect receipt data → Collect payment data → Generate a new forecast automatically or manually → Review forecast against previous forecasts

Reviewed by Finance Director → Approved? — Yes → End

NO
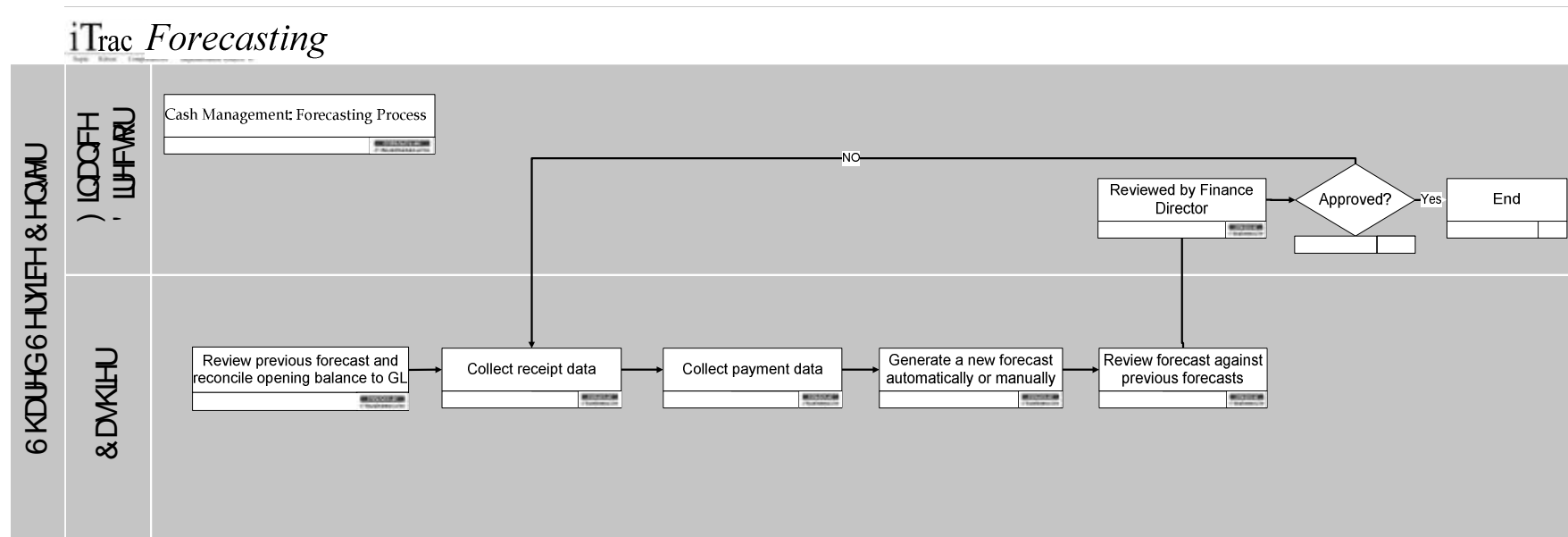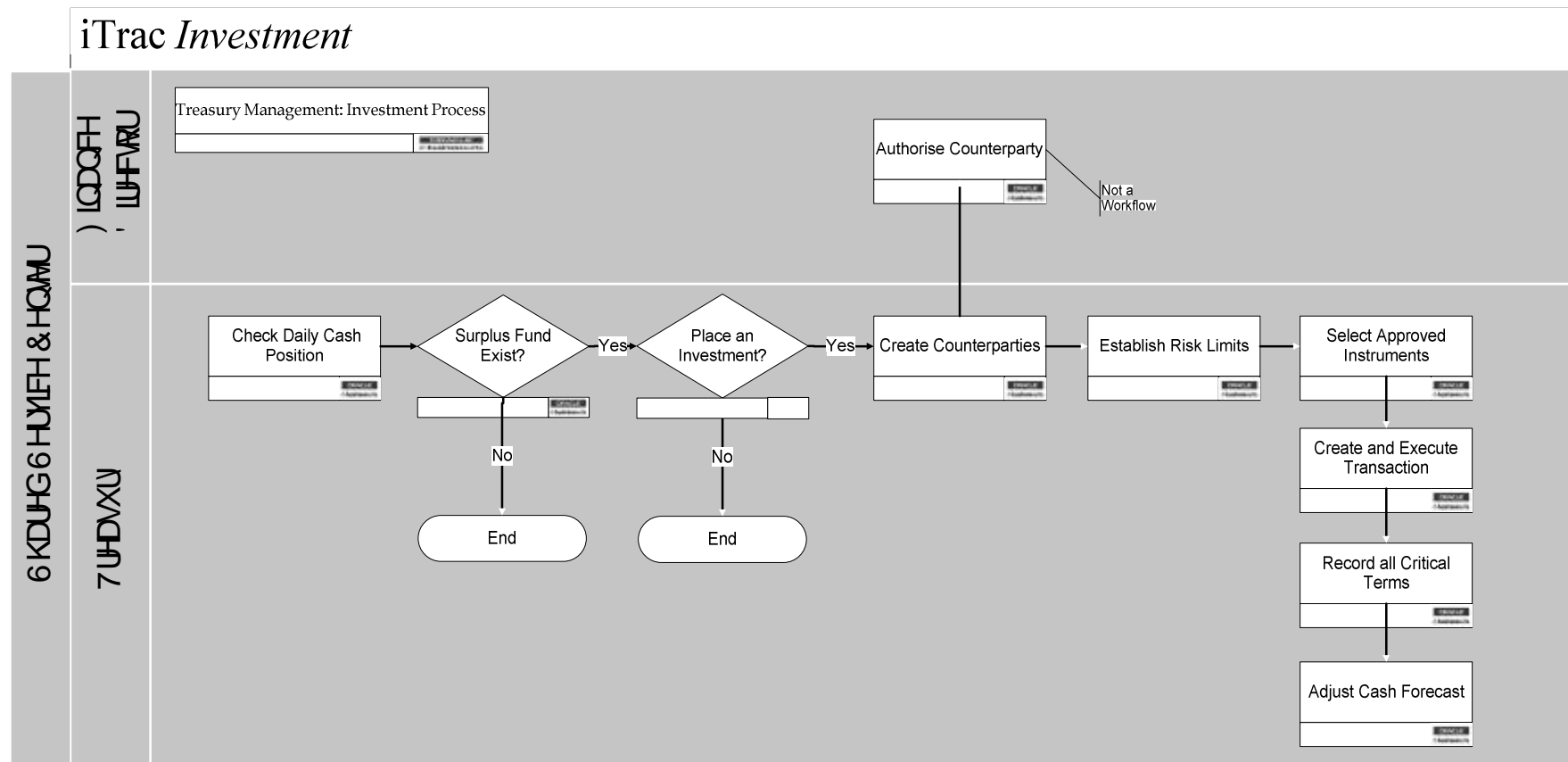
4 Future Operating Model – Treasury Management: Standard Oracle Operating Procedures (4)

iTrac *Investment*

Treasury Management: Investment Process

Authorise Counterparty — Not a Workflow

Check Daily Cash Position → **Surplus Fund Exist?** → Yes → **Place an Investment?** → Yes → **Create Counterparties** → **Establish Risk Limits** → **Select Approved Instruments**

Surplus Fund Exist? → No → **End**

Place an Investment? → No → **End**

Select Approved Instruments → **Create and Execute Transaction** → **Record all Critical Terms** → **Adjust Cash Forecast**

4 Future Operating Model – Contract Monitoring: Principles to be Applied

– Introduce a formal system of contract monitoring in the Council and assign responsibility for these activities

– Standardise contract monitoring processes and provide standard contract terms. templates and monitoring facilities

– Automate the contract monitoring process as much as possible through the use of electronic monitoring

4 Future Operating Model – Contract Management: Standard Oracle Operating Procedures

iTrac *Contract Management and Monitoring*

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