

Procurement and Contract Issues in the BCC ERP Rollout

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The Birmingham City Council commenced a transformative overhaul of its Enterprise Resource Planning (ERP) system in 2018, replacing its obsolete SAP system with Oracle Cloud ERP and HCM. This was intended to facilitate the modernization of finance, human resources (HR), procurement, and the digital aspects of the council's activities. Initially, the project cost was forecasted to be £20 million pounds, and it consisted of some key sponsoring groups amongst the council's senior leadership, the HR and finance functions, Oracle, and their implementation partners. However, the project is reported to have experienced continued failures in payroll, financial and supplier payment processes because the requirement was unclear, the technical environment was unstable, the planning for readiness was poorly conceived, and there was ineffective procurement and supplier oversight. By 2024, the project cost is reported to have increased to nearly £100 million pounds, thus incurring a financial crisis of public proportions and demonstrating the critical need for rigorous governance of procurement and external contracts if large-scale IT schemes in the public sector are to be successfully delivered.

Evaluation of Procurement Management Practices

From the outset, the procurement process at BCC was on a flawed trajectory. The council prioritized speed and efficiency over an actual examination of whether Oracle Cloud could potentially support its heavily customized SAP-based operations. The procurement teams did not assess vendor capabilities, under-appreciated the challenges associated with redesigning operational processes that were not applicable to a standardized cloud-based system, and neglected to engage their legal and contracting experts until later in the process. As a result, the contracts were imprecise and did not include clear deliverables or performance measures. Loopholes for accountability were established through overestimating supplier capability and

underestimating the definition of the requirements, and a lack of contractual specificity. Ultimately, these weaknesses contributed to system misalignment with project instability, and cost overruns.

Supplier Selection, Contract Management, and Change Control

Supplier selection prioritized anticipated cost savings, as well as, the attractiveness of cloud modernization as opposed to a realistic understanding of technical risk. Oracle and its partners were engaged with minimal testing or phased proof-of-concept validation. Consequently, early misalignments took place with payroll and accounts payable systems which ultimately led to critical failures in those systems.

Contract management was reactive instead of proactive. Since the contract was vague with expectations and lay out of responsibility, Council struggled to hold the vendor accountable. Heroic discussions took place about whether the problems were the result of configurations, product constraints, or data migration issues. Without detailed, structured performance monitoring processes, it was difficult to assess milestones or identify early delays.

Change management challenges compounded the issue. Designs were often changed, many being placed formally as constructive change orders, which were work completed that were not in scope but without formal agreement to the change. These undocumented working changes significantly expanded the scope of work, exacerbated costs, and delayed implementation timeframes. Due to the lack of governance in managing scope changes without impact analysis and any delay approvals, the final cost of the project was equivalent of five fold over budget.

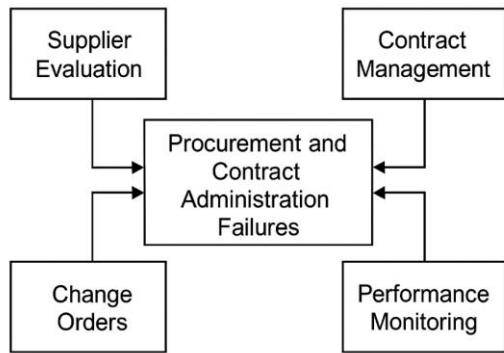
Implications of Contract Administration

The project's scope, cost, and delivery were significantly impacted, as there was weak contract administration. The Council did not have a formalized method for monitoring vendor

performance and defect resolutions, so they were dependent on vendors' interpretations of their scope of work, which resulted in a project stalled due to more delays and unresolved errors. Constructive change orders introduced further uncertainty, hidden costs, and accountability confusion between Oracle and its implementation partners. These administrative shortfalls resulted in operational interference, delayed financial reporting, and issues with supplier payments for the Council, which diminished the public service delivery and added financial strain on the Council.

As shown in Figure 1, an interconnected breakdown occurred, which contributed to cost overruns and delays.

Figure 1
Procurement and Contract Administration Failures in the BCC ERP Project



Lessons Learned

The Birmingham City Council ERP project has many valuable lessons for next time there are IT implementations in the public-sector. First, procurement should include thorough evaluations of the supplier rather than just relying on cost savings as the only justification. The requirements and the terms of the contract should be clearly defined and not left vague so that ambiguity doesn't lead to issues during implementation. It is also important to keep in mind that overlooking change control processes, and specifically mismanaged constructive change orders, can unknowingly expand scope and inflate costs. Additionally, coordinating with legal and

contracting staff early on is a best practice to strengthen contract protections. Finally, maintaining some level of vendor oversight and user readiness, and effective training will help reduce operational disruptions as systems transition.

Table 1

Summary of Procurement and Contract Administration Issues

Area	Summary
Procurement Management	Weak supplier evaluation; poor system-fit analysis; limited due diligence; late legal involvement
Supplier Selection	Chosen for cost, not capability; Oracle Cloud maturity not validated; no proof-of-concept
Contract Management	Vague deliverables; unclear roles; weak KPIs; poor dispute mechanisms
Legal & Contracting Role	Legal team engaged too late; ambiguous contract terms; weak enforceability
Performance Monitoring	Inconsistent oversight; missing KPIs; slow defect detection
Change Orders	Frequent undocumented changes; no approval workflow; ongoing scope creep
Constructive Change Orders	Work outside scope; hidden cost increases; major delays
Overall Impact	Scope expanded; budget rose from £20M to ~£100M; severe timeline overruns

Table 1 summarizes the key procurement and contract administration failures, highlighting gaps in supplier selection, contract clarity, performance monitoring, and change-order management.

Recommendations for Future IT Projects

1. Enhance Procurement Oversight: Conduct comprehensive vendor assessments and proof-of-concept evaluations prior to selecting vendors.

2. Establish Detailed Contracts: Specify deliverables, metrics, and procedures for escalation in as much detail as is necessary.
3. Enforce Change Control: Changes of any kind will only proceed upon formal documentation and approval.
4. Enhance Vendor Monitoring: Conduct regular reviews of vendor performance and enforce accountability.
5. Engage Legal Early: Involve the legal department at the beginning of procurement and during contract drafting to ensure that there are no ambiguities.
6. Enhance Organizational Readiness: Provide training and communication plans to support an effective organizational change to the new system.

Conclusion

The Birmingham City Council ERP project serves as an example of how ineffective procurement management, unclear contract terms, and lack of change-control can work in different ways to undermine a major digital transformation. The council did not factor in the complexity of moving from its bespoke SAP system to a commodity cloud-based industry solution, which resulted in technical failures, losses of additional money, and the interruption of public services. With better procurement governance, clearer contracts, appropriate vendor oversight, and stricter change management processes, many of the identified issues could have been avoided. The learnings from this case can therefore assist future public-sector projects with reducing risk, managing costs, and achieving more successful and stable outcomes.

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