

Birmingham City Council ERP Failure Analysis

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The largest local government in Europe, Birmingham City Council (BCC), started an ERP transformation in 2018 to switch from its highly customized SAP system to Oracle Cloud ERP and HCM. The project, which had a £20 million initial budget, sought to update the finance, payroll, procurement, and human resources procedures. However, the project experienced severe operational disruptions and cost overruns of over £100 million (Computer Weekly, 2024). The failure was mostly caused by flaws in contract administration and procurement management.

Project Overview

The goal of the Oracle program was to standardize BCC's payroll, procurement, HR, and finance procedures. The Finance and HR departments, the BCC leadership, the procurement advisors Socitm Advisory, the implementation partners Insight Direct and Evosys, and external auditors who needed access to SAP data from the past were all important stakeholders.

Despite the project's goal of implementing Oracle best practices, BCC started making changes to replicate its old workflows. Delays and higher expenses resulted from this choice, which went against cloud ERP principles and added technical complexity (Computer Weekly, 2024).

Procurement Management Failures

Supplier Selection and Assessment

After a competitive tender, BCC chose Insight Direct/Evosys; however, procurement misjudged the challenge of leaving a highly customized SAP environment. A multistage supplier evaluation should evaluate technical capability, data-migration readiness, and organizational change requirements in accordance with the PMBOK's Conduct Procurements process. Project

expectations and vendor capabilities were out of sync because of these areas' inadequate evaluation (The Register, 2023).

Inconsistent Procurement Approach

A thorough procurement statement of work (SOW), risk assessments, and contract structuring are all required by the PMBOK's Plan Procurement Management. The following were absent from BCC's procurement documents:

- Explicit performance standards
- Data migration requirements
- Clearly stated expectations for standardization
- Sufficient identification of risk

Without effective cost controls, a probable time-and-materials (T&M) contract structure further exposed the project to rising costs.

Inability to Control Scope in the Procurement Process

BCC made the decision to modify the system after first committing to implementing Oracle's standard procedures. These kinds of modifications are constructive and ought to be formally managed by a contract change control system. Unmanaged rework and increased expenses resulted from the procurement of documents, baselines, and cost estimates not being updated to reflect the enlarged scope.

Limited Legal Oversight and Governance

Uncertain accountability, little legal involvement, and inadequate vendor oversight were highlighted in Ernst & Young's assurance review (Computer Weekly, 2024). BCC did not always implement the PMBOK's emphasis on legal involvement in contract negotiations and claims prevention.

Issues with Contract Administration

Unreliable Performance Tracking

The Control Procurements section of the PMBOK calls for quality checks, acceptance criteria, and structured performance reviews. These safeguards were ineffective. Following go-live, Oracle necessitated a great deal of manual reconciliation, delayed account closures, and generated inaccurate financial postings (Computer Weekly, 2024). This suggested insufficient quality assurance and validation.

Unmanaged Positive Shifts

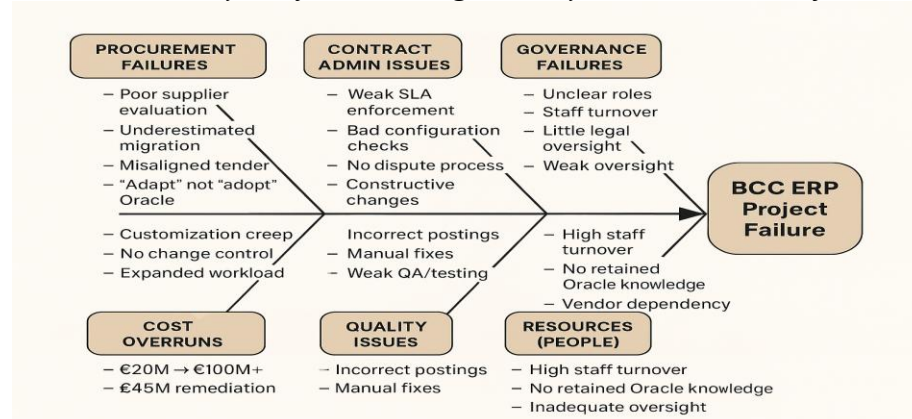
Numerous positive changes in orders resulted from rework, migration difficulties, and customized configurations. Scope kept growing in the absence of official approvals or contract modifications. As a result, the system became more complex, vendors were held less accountable, and an extra £45 million was required to stabilize it (The Register, 2024).

Inadequate Claims and Dispute Management

BCC lacked enforceable sanctions and transparent dispute resolution procedures. When flaws appeared, BCC was primarily responsible for fixing them, which was indicative of unclear contracts and insufficient service-level obligation enforcement.

Figure 1

Root Cause Analysis of the Birmingham City Council ERP Project Failure



Note. Adapted from public reports on the Birmingham City Council Oracle ERP project failure.

Conclusion and Recommendations

The BCC ERP project serves as an example of how poor contract administration, ambiguous requirements, and poor procurement planning can thwart a significant technological shift. To enhance the results of upcoming ERP projects, companies ought to:

1. With thorough SOWs, risk analyses, and technical due diligence, procurement planning can be strengthened.
2. Employ stringent source selection standards along with organized technical and financial evaluations.
3. Use cloud-standard procedures unless there is thorough justification and cost analysis for customizations.
4. Improve contract administration by implementing service-level enforcement, milestone checks, and clear acceptance criteria.
5. All scope changes must be approved and documented using formal change-control procedures.
6. Throughout the project, make sure that the legal, procurement, technical, and risk teams are all part of the integrated governance.

Enhancing contract governance and procurement discipline lowers financial risk, boosts vendor accountability, and raises the possibility of ERP success.

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