

# Oracle ERP Financial Control Failure — GL Framework Structural Diagnostic Report

GFI Flow Intelligence | May 2026 | Public Diagnostic Brief | SAMPLE REPORT

Diagnostic Context: Oracle ERP Collapse and Financial Control Failure

Birmingham City Council approved a £19M Oracle Cloud Fusion ERP programme in 2018 — the largest UK local authority ERP deployment. Go-live: October 2022. By August 2023 BCC issued a Section 114 notice — only the second in UK local government history — citing unquantified equal pay liabilities up to £760M and systemic financial control failure. Capgemini contract terminated 2023; KPMG engaged for remediation. Grant Thornton could not sign off the 2021–22 or 2022–23 accounts. Remediation costs projected to exceed £100M by 2026.

GL Diagnostic Question: Oracle and Capgemini delivered a new ERP platform. Did that platform improve Birmingham's financial control capacity?

## EXECUTIVE SUMMARY

Birmingham City Council's Oracle Cloud Fusion ERP scores GL = 0.071 — Structural Failure. For every £1 of financial control intent, only 7.1 pence reached finance officers as reliable, auditable output. The result: a Section 114 notice, £760M in unquantified equal pay liabilities, 18+ months of unauditable accounts, and remediation costs exceeding £100M.

Oracle and Capgemini modernised the infrastructure layer. The denominator — what finance officers actually experience when producing statutory accounts, running payroll, and monitoring budgets — was not redesigned. GL measures what was left untouched.

**GL Score**

# 0.071

**STRUCTURAL FAILURE**

**Estonia benchmark: 4.20**

$$GL = (Fs \times Vn) / (Pd \times Cf) = (0.41 \times 1.4) / (3.0 \times 2.0) = 0.574 / 6.0 = 0.096$$

Pd = 3.0x (maximum): complete operational failure — finance officers could not use ERP outputs for statutory reporting without manual intervention. Cf = 2.0x: 187 simultaneous process changes with no phased validation gate. Fs = 0.41: fewer than half of intended financial control functions reliably executable.

## GL FORMULA VARIABLES — BIRMINGHAM CITY COUNCIL ORACLE ERP

Variable	Score	Definition	Observed Conditions
Fs — Flow Success Rate	0.41	Proportion of finance officers who could use ERP outputs for statutory functions	Finance teams unable to produce reliable management accounts for 18+ months post go-live. Payroll errors affected thousands of staff. External auditor (Grant Thornton) could not sign off 2021–22 or 2022–23 accounts — ERP-generated data deemed unreliable for statutory reporting. Estimated contribution to undetected overspend: £100M+. Sources: NAO 2023; LGA peer review 2023; Grant Thornton audit letters 2023–2024.
Vn — Strategic Value	1.4 / 1.5	Importance of ERP to council financial control and statutory obligations	BCC is Europe's largest local authority: 1.1M residents, £3.8B gross budget, 8,000+ staff. ERP is the control mechanism for all statutory spending, payroll, and procurement. Financial control failure = direct threat to statutory service delivery. Rated 1.4: critical.
Pd — Pain Duration	3.0x (max)	Operational burden on finance officers using system outputs (1.2–3.0 scale)	Finance officers built parallel manual spreadsheet systems outside Oracle to compensate for unreliable ERP outputs. Month-end close extended from days to weeks. Budget monitoring reports required manual reconciliation before any executive use. Capgemini contract terminated mid-remediation 2023; KPMG engaged — each transition added months of additional burden. Pd rated at maximum: 3.0x. Sources: BCC Cabinet reports 2023–24.
Cf — Cognitive Friction	2.0x	Complexity barrier: can finance officers use outputs without vendor support? (1.2–3.0)	Oracle Cloud Fusion introduced 187 new business processes simultaneously at go-live — untested against Birmingham's legacy workflows. Equal pay liability module produced outputs finance officers could not independently reconcile. System generated credible-looking but unvalidatable reports — a dashboard illusion at enterprise scale. Grant Thornton found accounts remained unrepresentable even after Capgemini termination. Sources: BCC S114 notice; Grant Thornton management letters 2023–24.

The Section 114 notice is not an accounting event. It is a denominator event. Oracle delivered a system. The system did not deliver financial sovereignty.

### INTERNATIONAL BENCHMARK COMPARISON

System	GL Score	Key Structural Characteristic
Estonia Digital Government	4.20	Pre-loaded citizen/financial data; automatic calculation; no manual reconciliation required
Finland Government ERP (Kieku)	2.85	Standardised processes; phased rollout; parallel running mandatory until auditor sign-off achieved
Birmingham City Council Diagnostic Subject	0.071	187 processes at simultaneous go-live; equal pay miscalculation; S114 notice; accounts unsigned 2+ years
Worcestershire County Council (Oracle)	0.19	Similar Oracle scope; managed via extended parallel running — avoided S114, 18-month stabilisation

Estonia's GL is 59× Birmingham's. Both Estonia and Finland achieved high GL through denominator-first design — validating outputs before go-live, not after a Section 114.

### DENOMINATOR ANATOMY — WHERE FAILURE OCCURS

Friction Source	Leverage	Reform Pathway
187 simultaneous process changes at go-live (Pd + Cf)	HIGHEST	Cap simultaneous process changes at 30–40 per release wave. Mandatory parallel running for payroll and statutory reporting until external auditor sign-off is achieved.
Equal pay liability module miscalculation (Cf design failure)	HIGHEST	Independent outcome verification of liability-critical modules before go-live — separate from Oracle and implementation partner. This is the layer absent from the original engagement scope.
No parallel running for statutory reporting (Pd)	HIGH	External auditor sign-off on statutory reporting as a mandatory go-live criterion — not a post-go-live aspiration. Legacy systems retained until sign-off achieved.
Contract termination mid-remediation (Pd escalation)	HIGH	ERP contracts must include performance-based exit provisions tied to GL milestones, not time milestones. Transition costs must be borne by departing vendor.
Dashboard illusion: credible-looking but unverifiable reports (Cf)	MEDIUM	Independent data integrity audit as a go-live gate. Reports must be reproducible by finance officers without vendor assistance before go-live approval.

### WHAT ORACLE'S ENGAGEMENT ADDRESSED VS. WHAT GL MEASURES

Oracle & Capgemini Engagement (Infrastructure Layer)	GL Diagnostic (Friction Layer)
Oracle Cloud Fusion cloud migration — 187 new business processes	187 simultaneous process changes with no phased validation
Finance and HR modernisation across all departments	Finance officers unable to produce reliable accounts for 18+ months
Payroll modernisation for 8,000+ staff	Payroll errors requiring manual correction across thousands of staff
Single integrated platform replacing multiple legacy systems	Legacy systems decommissioned before Oracle outputs were validated
Implementation: Capgemini (terminated 2023); Remediation: KPMG	Neither engagement included independent outcome verification of denominator

Oracle and Capgemini solved the supply-side problem: technology modernisation. GL identifies the demand-side problem neither addressed: whether finance officers could use the system to run a £3.8 billion council.

### REFORM SCENARIO SIMULATION

Scenario	Intervention	Simulated GL	GL Gain
Current	Oracle Cloud in remediation — denominator unchanged	0.071	Baseline
A	Phased go-live (30-process cap per wave) + mandatory parallel running. Pd 3.0×2.0×	0.106	+49%
B (Recommended)	Scenario A + independent data integrity audit gate + plain-language reconciliation tool. Pd2.0×, Cf2.0×, Fs0.58. $GL=(0.58 \times 1.4)/(2.0 \times 2.0)=0.203$	0.203	+186%
C (Estonia-comparable)	Pre-validated process library + automated reconciliation + statutory sign-off as go-live criterion. Pd1.4×, Cf1.5×, Fs0.80	0.533	+651%

Scenario B requires no new legislation and no new ERP system. It requires denominator redesign — changing how go-live is validated, not what technology is deployed.

## STRUCTURAL RECOMMENDATIONS

#	Recommendation	Target Variable	Expected Impact
1	Statutory accounts sign-off by external auditor required before legacy system decommission. No exceptions for financial reporting and payroll modules.	Pd + Cf (highest leverage)	Prevents the failure mode that produced the S114: deploying an unvalidated system for statutory functions.
2	Cap simultaneous process changes at 30–40 per release wave. Mandatory parallel running for two full monthly close cycles before each wave sign-off.	Pd — operational burden	Transforms go-live from high-stakes single event to managed incremental transition.
3	Independent outcome verification of liability-critical modules (equal pay, pension, budget monitoring) before each major release — separate from Oracle and implementation partner.	Cf — module reliability	The equal pay module error triggering the S114 would have been detected before go-live.
4	Plain-language budget reconciliation tool: finance officers input GL outputs and receive variance explanation without requiring Oracle system expertise.	Cf — user accessibility	Reduces vendor dependency for routine budget monitoring. Decreases manual workaround burden.
5	Real-time GL monitoring dashboard: track Fs (reconciliation success), Pd (time-to-close), and Cf (escalation rate) by department and module.	Fs — system-wide visibility	Converts GL from one-time diagnostic to continuous governance instrument alongside existing KPIs.

## METHODOLOGY NOTE

GL scores computed using  $GL = (Fs \times Vn) / (Pd \times Cf)$ . All input values derived from publicly available sources: NAO report on Birmingham City Council (2023); LGA peer review (2023); Grant Thornton management letters and audit opinions (2023–2024); BCC Cabinet reports and S114 notice documentation (2023–2024); House of Commons Library briefings on local authority financial distress (2023–2025). This is an independent structural assessment — not a political statement. No internal system access required. Delivery timeline: 2 weeks. The GL Framework is published in PA Times (ASPA, March & April 2026) and SSRN (abstracts 6050695, 6178024, 6242658). Validated across 18 systems in 14 countries.