



Project Initiation Document

Version 5

Financial Management System

Author

M J Dolan

Project Identification

12/13 IT01

Document History

Version	Date	Remarks	Reviewers
1	02-Feb-12	Considered by working group	HB, JD, PO, JW, DC
2	12-Mar-12	Considered by Finance Group	HB,DC
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5	24-Apr-12	Financial Services Review	HB, MD

NOTE:

The completion of this document is only required for projects within the Electronic Government programme or others involving in excess of £20,000 capital cost to the Council

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Introduction

The Council's financial suite comprises the following systems:

System	Function
Oracle Financials 11i	General Ledger Accounts Payable Accounts Receivable
EGS IDeA Marketplace	Purchase ordering Procurement
Real Asset Management Asset 4000	Fixed Asset Accounting
SAP Business Objects Xlr3	Financial/HR Payroll Reporting
MidlandTrent	HR Payroll
CAPITA AIM/Axis	Cash receipting streams
TRACE	Stock control

The current system in the present configuration is considered to be expensive, and unintuitive with limited capabilities.

Accounting

The Oracle Financials system used by the Council since 1994 is a forms based application designed for use by a dedicated centralised finance team. Reporting and analysis of financial information is accomplished using the Council's Business Objects business intelligence tools. Reports are periodically generated by the system and directed to Managers via email either as PDF documents or spreadsheets. While the quality of this information is good more effective financial management by budget holders could be accomplished with live access to financial data published directly to desktops.

Procurement

For procurement the Council uses IDeA Marketplace a hosted combined eMarketplace and procure to pay solution. Participation in e-procurement throughout the Council is good with approximately 200 buyers and approvers using the system. The software is an effective e-ordering system that tightly controls ordering and invoice payment in accordance with the Council's financial regulations. However the system is hosted and shared with other organisations and does suffer from performance issues particularly during peak usage times. The system integrates invoice approval and payment with Oracle Financials however commitment accounting is not available and although this could be rectified at a cost there would be an on-going increase in system administration within both financial and front line services.

Having separate procurement and creditor systems also leads to duplication of effort when creating and maintaining suppliers, the Council's workflows and costing schemas.

Asset Management

Asset 4000 from Real Asset Management is an asset register and asset accounting systems that was purchased as a cost effective, supported and IFRS compliant solution. However most modern accounting systems include asset accounting as part of their core financials package (This does include Oracle Financials but not under the Council's current licence terms). A fully integrated and better suited asset accounting system will be both cheaper and require less administration.

Software Support

The Council's existing Oracle Financial System is nearing the end of its supported life. The support arrangements are as follows:

Support Type	Status
Premier Support	Ended
Extended Support	Nov 2013
Sustaining Support	Indefinite (at present)

Premier and extended support represent the complete Oracle Applications support package except that in the case of extended support Oracle will not certify financials for use with certain third party systems. The difference between these support levels presents no impact or risk to the Council.

Sustaining Support provides access to existing patches and fixes but no new patches or fixes will be issued. Oracle will, however, assist the Council with workarounds for any technical issues encountered. No legislative updates will be issued.

Risks associated with Sustaining Support

1. Although the Council does not use any legislatively sensitive module such as HR Payroll, future changes to the UK tax or accounting legislations could have an impact.
2. The unlikely event that a major bug or compatibility issue is discovered.
3. The product may not work with and will not be supported on future versions of the Oracle database. This could affect the medium term supported status of the database giving rise to security and COCO compliance issues.

Hardware Support

The hardware platform upon which the system is hosted will cease to be supported in January 2014. However, due to improvements in hardware and software technologies the Council would not replace this server on a like for like basis. The Council will need to incorporate any specification for the provision of an appropriate hardware / software platform into a unified hardware replacement program during the summer of 2012.

The council is committed to moving toward more cost effective application delivery platforms (I.T. Strategy 2012-15) this will be key when consideration the best option for the future delivery of financial systems.

Joint working

Several West Sussex district councils may need to review and possibly replace their financial management systems in the medium term. Any solution procured as a result of this exercise should support the concept of joint working. This could be achieved by tendering for products or services as a framework that other councils could join at a later date and a discounted rate. This would facilitate possibilities for closer working arrangements in the future.

At this point we have an opportunity to improve the current arrangements with a more integrated solution that will contribute to more inclusive financial management and reduced costs to the Council.

Project Definition

1. Continue the delivery of a robust, properly supported and cost effective financial management system.
2. Improve integration between system functions, removing the need for ancillary systems, principally IDeA Marketplace and Asset 4000.
3. Improve quality of and access to financial information for members, senior officers and budget managers.
4. Reduce the total cost of ownership through amalgamating systems and procuring a solution better suited to the functions of the Council.
5. Implement a solution that will in the future allow for the incorporation of further Council integrated systems such as HR Payroll and stock control and corporate financial reporting.
6. Simplified and more efficient administration with less duplication of work.

Success Criteria

1. Selection of a cost effective and appropriate financial management system.
2. Implementation of core financials equivalent to the existing Oracle Financials product by 1st April 2014.
3. Replacement of the existing asset management system by 1st Apr 2015
4. Replacement of the existing purchasing system by November 2014.
5. Reduction in the total cost of ownership.
6. Simplified / better integration with third party systems such as the Income and property management systems.
7. Facilitate the movement towards more cost effective platforms for the delivery of council systems.

Project Scope

Project includes:

1. Selection of software or solution provider for the replacement or upgrade of the existing financial management system.
2. Procurement of financial management system software to be either directly implemented by the Council or hosted by either a commercial or public sector partner.
3. Procurement of any hardware infrastructure necessary to deploy the system.
4. Procurement of consultancy and training services necessary to implement any new system and train key staff.
5. Integration with the current CAPS Uniform property system.

Project excludes:

1. Re-design of hardware and software schema specifically to reduce the cost of the existing Oracle database license.
2. Replacement of the Midland Trent HR Payroll system (though this project may facilitate this at a later date).
3. Replacement of the current Solaris servers configuration except where that may be influenced by the requirements of this project.
4. Replacement of the property management system.

Options Appraisal Summary

1 Do Nothing

Continue with Oracle 11i under the Sustaining Support arrangement.

Oracle 11i is nearing the end of its supported life. At this point no further patches or updates will be released for this system. Under the existing support arrangements the Council has access to a large database of existing patches and fixes, additionally Oracle will provide arm's length advice to help resolve technical difficulties.

The existing Solaris hardware platform will reach the end of its supported life in January 2014 and would need to be incorporated into the ICT Strategy 2012-15 server replacement program.

Pros:

1. No immediate disruption to existing services.

Cons:

1. Oracle 11i will not continue to be supported indefinitely. Heavy reliance on skills of one member of IT staff to resolve any problems.
2. Current configuration is expensive.
3. The software is considered complex and unintuitive making it difficult to deploy further.
4. Reliance on third party solutions such as IDeA Marketplace, Asset 4000, Midland Trent HR Payroll and Business Objects.
5. Future versions of the database platform that underpin the system are unlikely to work with this software. This will ultimately be in breach of the Government's Code of Connection (COCO) and lead to more obsolete systems being de-supported and eventually an upgrade equivalent to Option 2 being forced upon the Council.

2 Do Minimum (Upgrade to release 12)

The currently fully supported version of the Oracle Financials system is Release 12. To continue using Oracle Financials in a properly supported environment we are required to upgrade to this version.

Pros:

1. Data and system continuity.
2. Fully supported by Oracle

Cons:

1. Upgrade testing and evaluation has revealed a difficult upgrade path that would require extensive assistance from external consultants.

2. Difficult to support in-house as the system is far more complex than Oracle 11i. There are risks associated with retaining specialised in-house skills that could increase the cost of ownership.
3. Does not fit the organisation well, it is difficult to represent the Council's business processes within the system.
4. Upgrading may involve moving to Oracle's new licensing metric. This would mean the number of users who access the system will either need to be reduced or more licenses would need to be purchased.
5. This option offers nothing to improve engagement with members and budget managers.
6. A significant investment in training will be required to support the new system.
7. Will continue to be an expensive solution.

3 Replacement System - Managed in-house

There are a number of alternative systems available to the Council the majority of which have a lower cost of ownership than the current system configuration.

The capabilities, supplier relationship, usability and potential scope of following systems have been investigated using a combination of presentations by vendors and site visits.

System	Site visit	Vendor Presentation
Agresso (Unit 5)	Waverley BC	Completed
Technology One Financials.	Scarborough (Video conference)	Completed
Civica Authority Financials.	Brighton and Hove City Council	Pending
eFinancials (Formerly Cedar)	Pending	Completed
Microsoft AX Dynamics	Suitable reference site yet to be identified.	Initial contact and discussion with Microsoft partner.

Pros:

1. Selected system will more closely match the Council's requirements.
2. Significant cost savings in the medium term.
3. Simplified administration by removing the need to integrate third party systems.
4. Better management information with wider deployment across the Council and real time delivery of financial information to managers' desktops.
5. Potential to replace further third party systems in the future as contracts come to an end. This could result in further reductions in system administration, license fees and hardware costs and improve management information.
6. Opportunity to use a more cost effective platform.
7. Ability to share the system with a neighbouring Council should the opportunity arise.
8. Potential to incorporate further systems such as HR Payroll or disaster recovery at a later date as part of a further procurement exercise.
9. Facilitate the move towards more cost effective hardware/software platforms as part of the 2012-15 I.T. strategy

Cons:

1. Major system change will require internal resources and may lead to some disruption in services during transition
2. Need to retrain all the users of the system.
3. Likely need to redesign some of the Council's business processes to fit the new systems methodology and improve efficiency.
4. Service delivery may suffer in the short term.

4 Replacement System – Hosted

It is possible to implement one or more of the above systems in an environment commercially hosted by a third party with technical issues and upgrades handled entirely by the software vendor. The Council would neither purchase nor maintain either the server hardware or software required to host the system.

The pros and cons are the same as option 3 except for the following.

Pros:

1. No need to procure or maintain a hardware or software platform.
2. Potential for further savings above option 3 particularly in internal support costs.
3. Potentially better access for more flexible working.
4. Improve business continuity arrangements (Problems affecting CDC's internal network will not prevent external access to the financial system).

Cons:

1. Quality of the service is reliant on the quality of the hosting package and would be exposed to performance problems associated with connecting to services over the internet.
2. Certain aspects of some 'thick client' (desktop) software may not be well suited to this approach.
3. Higher direct costs.
4. Could be difficult to reduce the cost of internal support services and maintain a robust service.
5. Reliance on internet connectivity will require a backup circuit (second internet connection) however any problems with our service provider could still result in the financial systems being unavailable

5 Shared Service

Two options have been explored.

1) An agreement with a neighbouring Council to share or host an implementation of Oracle Financials.

Portsmouth City Council currently uses the same Oracle Financial system as Chichester and has indicated interest in exploring a solution where Portsmouth could provide Oracle Financials for Chichester.

Portsmouth is committed to Oracle Financials and is currently undergoing a transition to release 12.

2) A similar shared service arrangement with Waverley Borough Council has been explored the difference being the software platform would be Agresso rather than Oracle. Waverley currently only implement core financials and have not implemented and have no experience of certain modules that we would require within Agresso namely Procurement, and Fixed Assets.

Initial discussions have taken place.

Pros:

1. A hosted Oracle solution would provide data and system continuity.
2. Fully supported solution
3. No need to procure or maintain hardware or software.
4. Potential for savings in internal support costs.
5. Potential for joint working in other Council services, particularly transactional services.

Cons:

1. Quality of the service would be exposed to performance problems associated with connecting over the internet.
2. Cost of software licenses unlikely to reduce.
3. Charges for providing the service could be prohibitive.
4. Could be difficult to reduce the cost of internal support services and maintain a robust service.
5. Would need to keep third party software solutions or source alternatives.
6. Portsmouth City Council is currently upgrading Oracle to release 12. This commitment will lengthen the time it will take to implement a shared service with Chichester DC. So far Portsmouth has not responded to Chichester's requests for outline costs and timescale.
7. Loss of control over how the system is managed. The host organisation may not be able to focus on the needs of Chichester District Council.
8. Reliance on internet connectivity will require a backup circuit (second internet connection) however any problems with our service provider could still result in the financial systems being unavailable

6 Shared System (Arun DC)

Arun District Council has indicated willingness to share their bespoke financial system which they would provide to us at no cost. The system has been developed in house using Embarcadero's rapid application development Delphi tools.

This is not a shared service arrangement as both Councils would run the system independently on their own hardware. The benefit to Arun would be to build in robustness to their system currently has no third party or external support.

Pros:

1. System software is free to use and develop.
2. Relatively simple to use

Cons:

1. No third party or external support if problems are encountered.
2. No reporting tools
3. Knowledge of programming required to support the system (Delphi).
4. No debtors' sub-ledger. Arun use a de-supported third party system that would be unavailable to CDC. Having investigated further it is unlikely that Chichester could procure a standalone debtors module as this type of functionality is generally only available as part of wider financial systems. The only other solutions are to have a bespoke debtors system developed for Chichester or to

develop a debtors' module in-house. However developing such a complex system could be very costly with questionable on-going support.

5. Not cost free – The system will still require hardware/software platform (Windows server) and a database server (currently no longer supported by the manufacturer).
6. Presents a major business continuity risk.

Corporate Policy Compliance

Financial Regulations and Contract Standing orders.

The system must be sufficiently configurable so that business processes and workflows comply with the Council's financial regulations and contract standing orders.

Information Technology Systems.

The system and deployment methodology must comply with all relevant internal policies and external connectivity requirements such as the GSI code of connection.

Project Team Structure & Job Definitions

Project Sponsor:	John Ward
Project Leader:	Helen Belenger
Project Manager:	Mark Dolan
I.T. Project Coordinator:	Daniel Bramley
Procurement:	Phillip Pickard
Project Support	David Cooper Katie Tucker J Nicholson
Assistant Director Info Communication Technologies and Customer Services:	Jane Dodsworth
Applications and Database:	David Hatch/ Karen James
Corporate Policy Representative:	J Mildred
Corporate Governance:	Kevin McLafferty
Contracts and Legal issues:	David Stewart
Access Client and Security	Michael Cannings
Web Policy Liaison	Harvey Monaghan
Fixed Asset Support	Sue Shipway Victoria Savory
Exchequer Services Functions	Carol Anderson-Towner Tracie Cottingham

Project Management Process

1. Frequency of Project Team meetings - Monthly.
2. Frequency of Status report preparation – Monthly
3. Project folder P:\Financial Services\Replacement Financial System
4. Proposed date for Project Evaluation report – April 2015

5. Proposed date for post-Project Assessment Report – Jun 2014

Project Plan & Resources

The project plan will be determined by which option is ultimately pursued. In the event of that being either the preferred option 3 or option 4 then a full project plan will be developed in conjunction with the selected software vendor or their appointed partners following an analysis of the Council's business processes by the vendor. This cannot be prepared in advance as the requirements and sequence of events will be different for each vendor's solution.

The following is a draft plan indicating the likely key stages in the implementation of Option 3 with indicative figures for the use of ICT Staff resource.

Phase	TASK NO.	TASK/MILESTONE	COMPLETION DATE	RESPONSIBLE	IT Resource
Tender	1	Specification and preparatory work	Aug-12	M Dolan H Belenger D Cooper P Pickard	
	2	Supplier Selection I.T. Panel Cabinet	Dec 12 Jan 13	All	
Procurement	3	Contract Negotiation Signed	Jan-13	Legal	
	4	Contract Agreed			
	5	Contract Signed / Order Raised			
Design	6	Scoping	Feb-13	M Dolan Vendor	
Preparation				D Bramley	
	7	Source Hardware (If Needed)	Mar-13	D Hatch Vendor	
Install	8	Install Hardware / Software	May-13	D Bramley D Hatch Vendor	Operations 15 Days Applications 3 Days
Training Admin				M Dolan	
	9	Administrator Training	Jun-13	K Tucker +	
Configuration	10	Design GL	Jul-13	D Cooper M Dolan	
	11	Design AP	Aug-13	Exchequer M Dolan	
	12	Design AR	Aug-13	Exchequer M Dolan M Dolan	
	13	System Interface Design	Sep-13	D Hatch D Bramley Vendor	Applications 30 Days
	14	Supplier / Vendor Conversion - Design Dataload	Dec-13	M Dolan D Hatch	

			Vendor		
Implementation	15	System Configuration	Jan-14	D Bramley D Hatch Vendor	Applications 2 Days
	16	GL Implementation	Mar-14	M Dolan D Hatch	
	17	AR Implementation	Feb-14	M Dolan Exchequer	Applications 2 Days
Implementation	18	AP Implementation Including Cheque Printing	Feb-14	M Dolan D Hatch Exchequer	
	19	Interface Testing	Feb-13	M Dolan D Cooper K Tucker	
Pilot Testing	20	GL/AR/AP User Training	Feb-14	M Dolan K Tucker D Cooper	
User Training	21	Purchasing design and implementation	Jun-15	M Dolan J Nicholson	
Purchasing Design Corporate Testing	22	UAT Sign Off			
Deployment Launch	23	Go Live Core Financials	Apr-14	All	
Purchasing System	24	Purchasing Roll-out	Nov-14	M Dolan J Nicholson	
Fixed Asset System	25	Fixed Asset configuration	Dec-14	M Dolan VSavory S Shipway	
	26	Fixed Asset testing and data conversion	Jan-15	M Dolan S Shipway V Savory M Dolan	
	27	Fixed Asset go-live	Feb-15	S Shipway V Savory	

Project Budget

Indicative figures based on option 3

Replacement System Baseline Costs	£
Capital Costs	
Purchase Cost	110,000
Implementation Consultancy	110,000
Database Server	13,000
Other IT Hardware and Software	5,000
Platforms training for operations staff	4,000
Total Capital Costs	<u>242,000</u>
Effect On Annual Revenue Budget	
Savings resulting from removal of existing provision:	
Solaris Server Replacement	7,500
Oracle Financials License	42,000
Marketplace License	24,000
Asset 4000 License	3,500
Total Savings	<u>77,000</u>
Revenue Budget For Replacement System	
Annual System Maintenance/License	24,000
Provision for upgrade support	5,000
Total Revenue Budget Requirement	<u>29,000</u>
Net Annual Revenue Saving	<u>48,000</u>

Capital investment payback period is 6 years

No contingency provision has been made.

Risk Assessment

Risk	Likelihood (H/M/L)	Impact (H/M/L)	Mitigating Action
Depending on the option chosen and the procurement method used there may be a small increased risk relating to the supported status of the hardware platform.	H	L	Third party support for the existing hardware may need to be procured or the existing software platform temporarily shared with other systems.
The final solution might not meet the Council's requirements.	L	H	A carefully constructed specification and a program of supplier presentations and site visits will be required.
Staff using the system will need to have the appropriate training and administrators the skills necessary to support the system. Additionally external support may be needed periodically to resolve technical issues and perform upgrades.	M	M	The contract for the delivery of the new system will require appropriate provision for on-going system support and delivery of user training as part of the implementation project.
The vendor supplying the software solution will need to demonstrate a sufficiently secure financial position to ensure delivery of continued support for the system	L	H	Three years accounts will be requested and scrutinised as part of the procurement process.
Additional staff resources might be required to implement project.	M	M	Vendor contract will include sufficient support to implement project. Budget contingency could be used to backfill posts if needed.
May need to redesign some of the Council's business processes to fit the new system,	L	M	System selection process will focus on the functional capabilities of the system and suitability for deployment within the Council. Some changes in business processes may lead to efficiency gains.
Service delivery may suffer in the short term post implementation, particularly budget monitoring, reporting and procurement management	H	L	It is important that the system meets the councils basic reporting requirements at the go live date. This will form part of the consultancy/project plan formulated with the successful vendor. Training of Exchequer Services staff will be a key part of a successful procurement deployment. Financial Services Systems Team may need to retain a greater role in this area for a period of time after deployment.

Appendix Options Appraisal

Options Appraisal

Project Form D

Section 1 : Project Details

Project Name	Financial Management System	
Project Description	Provide Chichester District Council with access to a robust financial management system.	
Project Sponsor	John Ward	
Project Leader	Helen Belenger	
Total Periods	5	Years

Section 2 : Options

	Short Title	Preferred Option	Description
Option 1	Do nothing	<input type="checkbox"/>	Continue with existing Oracle 11i Financials system.
Option 2	Do minimum (Upgrade)	<input type="checkbox"/>	Upgrade Oracle Financials to release 12 and replace existing hardware on a like for like basis.
Option 3	Replacement (In house)	<input checked="" type="checkbox"/>	Replace the existing Oracle financials system, ancillary systems and hardware with a more cost effective system better suited to this council.
Option 4	Replacement (Hosted)	<input type="checkbox"/>	Replace the existing Oracle financials system, ancillary systems and hardware with a hosted system managed by a third party.
Option 5	Shared Service (Oracle)	<input type="checkbox"/>	Enter into a shared services agreement with a neighbouring public sector body for the provision of a Financial Management System.
Option 6	Shared System (Arun FMS)	<input type="checkbox"/>	A mutually beneficial agreement with Arun DC to separately run but jointly support Arun's bespoke FMS

Section 3 : Cost/Benefit Summary

	Do nothing	Do minimum (Upgrade)	Replacement (In house)	Replacement (Hosted) *1	Shared Service (Oracle) *2	Shared System (Arun FMS) *3
Benefit Score	53	26	349	383	225	43
Risk Score	193	172	78	120	180	380
Net average revenue costs/(income)	77,034	93,034	91,310	130,310	134,734	67,783
Net current revenue costs/(income)	77,034	77,034	77,034	77,034	77,034	77,034
Proposed change in revenue costs	0	16,000	14,276	53,276	57,700	(9,251)
Flexed sensitivity maximum cost	0	22,000	11,516	79,716	66,107	(18,291)
Flexed sensitivity minimum cost	0	14,800	7,036	46,196	57,700	16,789
Effect on Band D Council Tax	0.00	0.30	0.27	1.00	1.08	(0.17)
Cost NPV (Net Present Value)	0	80,000	86,790	267,601	274,606	(34,244)

Discount Rate

Number of Band D Council Tax Payers

Figures to be provided by financial services.

Notes:

*1 Replacement system (Hosted) does not include any internal systems support savings that might be achievable by externally hosting the system.

*2 Shared Service: The figures are based on current Oracle licensing cost (that are unlikely to differ significantly) and a loose estimate of system administration charges as

Portsmouth have not provided any costings. Savings in internal systems support are not included.

*3 Shared System: Includes a very rough estimate for the provisions of a bespoke Debtors module (1 developer x 6 Months) however without engaging a consultant for a full scoping study and quotation the true cost cannot be known at this stage. There would be significant risks and possibly on-going costs associated with this approach.