12. NEW FINANCIAL AND MANAGEMENT INFORMATION SOLUTION (FAMIS)

RR 9260

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The purpose of this report is to seek approval to proceed with the purchase of an integrated solution from the preferred supplier. The Council has planned for the replacement of the existing financial and management information systems by provision of $4.4M in the 1998/99 Annual Plan.

BACKGROUND

In 1996 the Council engaged Azimuth Consultants to report on the future of the Council's financial software system as the vendors of the current financial system, Stowe Computing, had given notice that their TCS (Total Corporate Solution) system will not be supported beyond 2002. Azimuth advised that the existing software did not address our increasing needs for a highly functional financial system and that the Council should seek a best practice solution from the market. They also reflected on the range of functions which should logically be bought together in an integrated software system to ensure processing integrity and to provide quality information. That recommendation led to the FAMIS project.

In addition there is an urgent need to replace the Building and Resources Consents system as it is not Year 2000 compliant. A replacement will also deliver efficiency and quality enhancements to the consents process. Financial, land and consents system needs form the basis of the FAMIS project.

OBJECTIVES OF THE FAMIS PROJECT

The primary objective of FAMIS is to provide integrated software that provides for the computing needs of all Council business units and corporate functions for 15 major Council-wide business processes (section 3 below), which is fully Year 2000 compliant and capable of meeting the organisation's needs for at least five and probably up to the next 10 years. This eliminates the need for individual business units to replace/procure/build their own independent systems over this period and avoids the associated integration complexities and duplication of effort this entails.

In addition it will seek to have the maximum possible impact on the organisation's performance through:

- Standardisation of processes across Council operations. At present, many similar financially based processes are performed by the various business units but using different systems and procedures. More standardised processes would greatly simplify the current working methods and systems environment.

- Improved data integrity between systems and across the organisation. In many instances, the same data field resides on many different systems and platforms. These data fields are often maintained independently from each other resulting in data inconsistencies and duplication of effort.

- Increased efficiency and effectiveness of financially based business processes. A more integrated and streamlined approach to financial management and processing across the Council will drive cost efficiencies and improved operational effectiveness.

- Improved access to, and reporting on, financial and management data at all levels. The ability to access accurate, timely and meaningful financial and management information will enable service delivery teams, business unit managers, the corporate office and the Council to make more informed and effective decisions and to improve financial control.

- Provide systems to address the new requirements of valuation of property for rating by way of a single view of land integrating the land parcel structure with the consents, valuation and rating processes.

COUNCIL-WIDE BUSINESS PROCESSES

The software solution will include appropriately integrated modules or applications to cover the following 15 major business processes. These processes are key to enabling the Council to effectively deliver outputs to the community:

Business Unit Budgeting
Financial Planning and Modelling
Financial Accounting and Reporting
Management Reporting
Funds Management
Project and Job Management
Asset Management
Time Cost and Achievement Recording
Purchasing, Inventory and Creditors
Accounts Receivable
Land Referencing

Rates and Water Billing
Valuation of Land for Rating
Customer Payments
Consents, Licensing and Dog Control

EXPERT ADVICE TO THE PROJECT

Throughout the FAMIS Project the officer team has sought consultant assistance for specific tasks.

Firstly KPMG were engaged to quality assure the process and Deloittes to assist in preparing the large amount of detailed documentation of the requirements.

In June 1998, before the Request for Proposal (RFP) was issued, both advised that either they or their associates were intending to supply RFP responses for the FAMIS project. As a consequence both withdrew as consultants.

Ernst and Young were then engaged to assist with the final phase of the selection process.

Audit New Zealand has been kept informed of progress of the project and their comments on the project are favourable.

THE SELECTION PROCESS

Bob Lineham, Director of Finance, led the project scoping and specification of requirements for the first 12 months. The selection process was then determined by a Project Steering Team led by Ken Lawn, Director of Operations, with members drawn from operations, financial, and environmental areas of the Council.

Each of the 15 business processes was analysed by a multi-discipline team drawn from many units of the Council.

A Request for Information (RFI) was issued which resulted in 17 responses for the financial processes and 13 for the land and consents processes. The responses were considered and from these a short-list of 12 were invited to submit specific proposals based on a detailed specification.

From those who responded, five were invited to demonstrate their software products during November 1998. The demonstrations were based on scripts designed to identify the capabilities and shortfalls of each vendor's proposal. The demonstrations were made to audiences of up to 60 staff, most of whom had been on the project teams which developed the specification.

Those invited to demonstrate were:

- **Deloittes ICS** with a solution based on **SAP** financial and **Praxa** 'GEMS' local government specific software.

- **KPMG** with a **SAP** financial and **Stowe** local government specific software.

- **Price Waterhouse Coopers** with **Oracle** financial and **Stowe** local government specific software.

- **Stowe Computing** with a suite of **QL** financial, **Conquest** asset management and **Stowe** local government software.

- **Innovus** with a building consents only system.

The criteria considered in identifying a preferred solution included:

- The vendor's capacity to deliver on the requested functional specification across all processes.

- The quality of integration between the software modules.

- The capacity of the solution to be an enabler for organisational efficiency gain.

- The solution price.

THE PREFERRED SOLUTION

Based on the above criteria, the Project Steering Team unanimously recommends the preferred software solution to meet the computing needs of 15 major Council-wide business processes as SAP financial and 'GEMS' local government specific software to be implemented in an integrated way by Deloitte/ICS. The purchase of software and the extensive work required to configure it would be contained in a single contract to be negotiated with Deloittes/ICS. Visits have been made to Councils and companies which have running the preferred solution as well as those where the proposed implementor/integrator, (Deloittes/ICS), have implemented the preferred financial system. Further information on the recommended solution is set out below.

The proposal has three components:

(a)   **Deloitte & Touche Consulting Group – ICS**

They will be:

- The prime contractor – they will assume responsibility for all the parts of the solution.

- The vendor consultant – they will work with us to confirm the scope of the project within the context of their RFP response and terms of contract.

- The implementor - they will assume responsibility for installing the finished working solution.

- The integrator – that the component parts will function together as specified.

ICS, (now a subsidiary of Deloittes), was founded in 1990 and has over 3,000 SAP experienced staff in 30 offices worldwide. The New Zealand office was established in 1995 with 80 SAP focused staff. They have installed more SAP solutions in New Zealand than any other implementation partner. Their client list includes Auckland Regional Council, ESR (a Crown Research Institute), Inland Revenue Department, Telecom NZ, TVNZ, Philips NZ and Cadbury's. They are the only ongoing support service provider in New Zealand for SAP.

Site visits made by the Project Manager and Team have discovered high levels of client satisfaction with Deloittes ICS service and skills.

(b) **SAP**

This is the primary financial and management information system.

SAP was founded in Germany in 1972. It is one of the top 30 listed companies on the Frankfurt exchange. It has sales revenue of $US3.5 billion with over 17% invested in R & D.

There are over 16,000 installations in 41 countries. It has the largest market share (27%) of clients in the major company sector. The next largest is below 20%. It has 39 New Zealand public and private sector clients, including those listed above.

SAP will provide modules for

- Budgeting, Financial Planning and Modelling
- Financial Accounting and Reporting
- Management Reporting
- Funds Management
- Project and Job Management
- Asset Management
- Time, Cost and Achievement Recording
- Purchasing, Inventory and Creditors

It will integrate with the Praxa solution for cash receipting and customer service management.

In addition it can be accessed via the World Wide Web and has established integration with a range of office systems in use or proposed at the Council. It has all the functionality and integration expected of a world-class solution.

(c) **Praxa**

This company would supply the 'GEMS' (Government Enterprise Management System) software to meet the Council's land and consents processing needs.

The company was established in 1984 and has 60 local government clients in Australia and New Zealand. It has 500 staff with $100M turnover. It is the largest reseller of Microsoft software in Australia. Praxa is owned by Man Tech, a $500M turnover company in USA.

The GEMS software was developed for local authorities in New Zealand with a focus on property and regulatory and customer service processes. Praxa with the GEMS suite are developing a formal relationship with SAP where the SAP/GEMS software will provide an industry standard integrated solution for local government in Australasia. GEMS is being exported to Australian local governments.

There has been significant recent enhancement of the GEMS software for the modules being purchased by the Council. These applications are:

- Land Information
- Consents
- Licences
- Infringements
- Valuation of Land for Rating
- Rating and Water Billing
- Cash Receipting

All applications use a common name and address and are supported by a 'request for service' process where action requests by customers are recorded, tracked, and signed off at completion. This forms the basis of the consents process. There are significant opportunities to enhance the Council's other customer services initiatives using the GEMS software.

There are 10 significant clients in New Zealand. Examples are Dunedin City, Waitakere City, Hutt City, Rodney District and Waikato District.

Site visits have also demonstrated satisfaction with this software as well.

All of the 15 business processes will be addressed by the proposal.

ALTERNATIVE COURSES OF ACTION

During the development and selection process, alternative courses of action to that recommended have been considered. These include the following:

(i) **Do nothing and enhance existing systems**

This option was not seen as being viable for the simple reason that support for the present financial system will be withdrawn within two/three years causing the Council to make a selection decision. The lead time for implementation of a replacement package means a decision on a course of action should be taken now.

There are also elements of our existing computer systems, especially in the building and resource consent area, where the software is not Year 2000 compliant. While these could be made compliant, it would be at considerable cost, and would be merely patching existing software that is badly in need of replacing with a more modern and effective system anyway.

(ii) **Select another option for the existing options**

As set out above, the Project Steering Team has unanimously recommended a solution from Deloitte Touche/ICS. This preferred solution was the best of those offered based on an extensive weighted attributes evaluation. Both the Price Waterhouse and the KPMG offerings included a Stowe land and consents information system coupled with a financial package. The Project Team has concluded that the Praxa GEMS product is a significantly better match to our organisation's functional needs when compared to the Stowe land and consents system.

The only other complete shortlisted solution was that demonstrated by Stowe Computing Ltd with both financial and land related systems. This solution appears at first to have a lower up-front cost than the other proposals.

It is difficult to compare the Stowe proposal with the preferred option as they are not directly comparable. We noted the following difficulties with choosing this option:

- It did not include any significant provision for installing and configuring the proposed system. When the costs of this are allowed for, the margin between this proposal and the preferred one reduces significantly.

- The major difficulty however, lies in differences in functionality. For instance, the Stowe system was not able to demonstrate the same level of functionality in the purchasing system or in job costing. As these are two key areas where the Council will reap benefits from the new system, there is considerable doubt as to the level of benefits obtainable by pursing this option.

- The project teams identified several opportunities within the software for further development. Whilst undertaking this as well as ongoing enhancements in the future are possible, the likely time-frame required to deliver them and the risk undertaking significant development meant the Steering Team concluded this should be avoided.

(iii) **Mix and match**

Another option was to accept the preferred land and consents system and then select a different financial system at a later date. This option was rejected for the following reasons:

- The lead time is such that the Council would incur unnecessary risks of not having continuity of supply of a financial computer system to meet its day-to-day operational needs.

- The Council would have to assume the role of prime vendor: it would have to select the components of the solution, and assume the risks and responsibilities of managing the integration and implementation programme.

- The Council would have to bear the costs of another selection process.

- The Council would have to bear all the integration costs between the local government suite and the financial management system (which are mostly being borne by the vendors in the preferred solution).

Given that no other financial system was an obvious candidate, that this option was unlikely to offer significant savings over the preferred option, and that this option put at risk the benefits identified for the preferred option, no further analysis of this option was deemed necessary.

(iv) **JADE solution**

During the original Request for Information stage, Cardinal Systems submitted a proposal to develop a total solution for the Council using their Jade development product. This would mean Cardinal writing many new software programmes rather than the Council purchasing already developed package products as is proposed. We did not proceed with this proposal to the Request for Proposal stage. The proposal was very expensive (nearly three times that of the next most expensive option). It also meant that the Council would need to know exactly what it wanted and specify it in great detail at considerable cost. Having had our existing systems for 5-10 years now, we were not confident of being able to specify a totally new world standard solution. This is not an area where we have that expertise. There were suggestions that once developed the product could have provided a revenue opportunity for the Council and a marketing opportunity for the Jade product. This would involve a very large software system development project, with associated high risks and is not our area of expertise.

Since closure date of the Request for Proposal process, there have been further approaches from Cardinal to consider opportunities for them to be involved. We have further discussed with them the merits of package solutions versus developed solutions. Cardinal have informed us that there is another commercial financial package (originally aimed at small businesses) which has been rewritten in Jade which might be able to form the basis for developing a total solution at a lower cost than originally proposed. However, it would still require very significant development, particularly of our local government specific needs. Cardinal have agreed that it is in our best interests to continue down our selection path, and if for any reason we are not happy with our solution then perhaps we could view them as an alternative to be considered later.

At Cardinal's request, we are also exploring with them and Canterbury University the possibility of using the Christchurch City Council implementation of an integrated package solution as a case study on the costs, benefits and issues in implementing such a solution.

THE VALUE OF THE SOLUTION TO THE COUNCIL

The value the Council derives from the solution is due in part to the mix of ICS/SAP/GEMS:

- A solution to the urgent system replacement need due to the 'Year 2000' problem
- The proposal cost is within the preliminary budgeted amount (excluding contingencies).
- The solution covers the 15 business processes. The Council does not have to go outside the consortium for solutions.
- The solution is considered the best functional fit to Christchurch City Council's needs compared to the alternatives.
- The functionality of the solution will both enable and require change to process leading to efficiencies.

Process improvement opportunities include:

- Comprehensive project/job management in one system.
- Facility for business unit budgeting which eliminates/reduces multiple spreadsheets, documents and re-keying.
- Comprehensive asset management in one system.
- More structured, well understood business processes through use of 'workflow' software to sequence process steps.
- Seamless integration with wide range of support technologies – Microsoft Office tools, and other workflow, imaging, and electronic document management software.
- Electronic Commerce capability.
- Short and long term financial planning in one system.
- Extensive management reporting – progressive drill downs to enable investigation and analysis.
- 'On line' purchasing and settlement.
- Rigorous common definition of land, property, assets, customers, staff, rating, consents, licences, requests for service.
- Once only entry of data for improved integrity.
- Across organisation integration through linked functional modules.
- Explicit responsibility assignment in order to perform business processes.
- Commitments accounting, i.e. knowing your current financial position.

INTEGRATION WITH CUSTOMER SERVICES PROJECT

Within the GEMS software is a facility to log, refer and track the progress of customer requests relating to consents processes. This has the capability to be used more widely for other types of requests as well, with the added benefit that in one system there is integration between customer interaction and the business processes and land records managed by FAMIS.

As a result, we are not proposing to purchase the Onyx system for customer interaction, which would have then needed to then be integrated with FAMIS. Rather the Request for Service component of GEMS will be made available at Council service points to enable the necessary customer service improvements. We are also looking at the scope to utilise other modules such as Parking Enforcement in the preferred solution and how to integrate electronic document management with it. Any additional recommended scope will be detailed and costed as part of a scoping study once the preferred supplier is confirmed.

CONCLUSION

The functionality delivered and integration included in the preferred solution gives an excellent match to the Council's needs.

The price offer for that functionality is highly favourable compared to equivalent bids.

The vendor staff associated with the preferred solution generally showed greater understanding of Christchurch City Council's requirements than that of other vendors.

The Project Steering Team believe there is no practical alternative available right now and advise against the additional cost or risk of alternative options. Timing issues to do with Year 2000 compliance and continuity of computing service means it is considered prudent and necessary to proceed with the preferred solution.

Recommendation: That the Council agree to the Financial and Management Information solution proposed by Deloittes, ICS/SAP/Praxa consortium being named as the preferred solution.