

Relevant Information for Council

FILE: X101623 **DATE:** 10 May 2024

TO: Lord Mayor and Councillors

FROM: Susan Pettifer, Director People, Performance and Technology

THROUGH: Monica Barone PSM, Chief Executive Officer

SUBJECT: Information Relevant To Item 6.16 - Exemption from Tender - Kronos Technical Upgrade

For Noting

This memo is for the information of the Lord Mayor and Councillors.

Purpose

To provide further details about the costs associated with the migration to the Software as a Service (SaaS) version of Kronos.

Background

At the meeting of the Corporate, Finance, Properties and Tenders Committee on 6 May 2024, further information was sought on the estimated costs of moving from the current on-premise version of Kronos to the Kronos Software as a Service (SaaS) platform. It was noted that engineering support for the on-premise version of Kronos will cease in December 2025.

In March 2024, Council approved an exemption from tender to cover the current Kronos support maintenance and licensing expenses over a six-year period. The total forecasted cost of SaaS licenses for this revised exemption from tender is detailed in Items 2(a) and 2(e) in Confidential Attachment A of the report to the 6 May 2024 Corporate, Finance, Properties and Tenders Committee.

The key drivers for the estimated increase are:

1. **Increased users:** The new cloud platform includes a provision for a 25% increase in the number of users to accommodate for the onboarding of additional business units and general user growth.
2. **New functionality:** The SaaS licencing includes additional modules not currently purchased in the on-premise platform, such as mobile device capability, advanced scheduling, enhanced reporting and analytics. These modules support better workforce management.
3. **Additional services:** As part of the SaaS offering, the supplier covers the costs of infrastructure provisioning and monitoring, cybersecurity patches and updates to maintain the system. With the on-premise version, the City undertakes this work and covers these costs.
4. **Regular enhancements:** The new SaaS licence will include periodic feature releases with new capabilities that are currently not available on the on-premise version.

Across the IT sector, SaaS licences typically cost more than on-premise because SaaS fees include both the licence and ongoing maintenance and support components. Typically the licence fee is paid upfront for on-premise installations which was the case for Kronos in 2003, following which the City only pays the annual maintenance and support fee.. We have experienced this several times when the City has migrated its enterprise systems from on-premise to the cloud.

All other costs referenced in Items 2(c) and 2(d) of Confidential Attachment A are for the actual implementation to migrate the service to the cloud and future consulting services.

- (a) Item 2(c) is for implementation services to migrate to the cloud and rebuild the existing integrations with the other City's internal systems, such as payroll.
- (b) Item 2(d) provides for consulting services required for the following enhancements on the platform during the term of the contract: enabling access via a mobile device for rostering and timesheeting, advanced scheduling and rostering capability, enhanced reporting and analytics capabilities, and improved integrations with City systems.

Implementing a new time and attendance system with a product from another provider was assessed to be more costly and disruptive. It would require business transformation and project implementation activities, estimated to take two years more than the implementation with Kronos Australia for the following:

- (a) Gathering detailed functional specifications and to-be-processes for all active modules.
- (b) Open tender and vendor selection.
- (c) Implementation of a new platform.
- (d) Commencing process design for direct integration with our enterprise reporting platform and with our payroll system - Chris21.
- (e) Performing user and functional software testing and defect resolution.

- (f) Designing and completing user training.
- (g) Preparing all Business Units to change their business processes to adopt the new system.
- (h) Migrating current and historical data.

The high cost of implementing an alternative solution would be disproportionate to the potential value of change, and there would be extensive business disruption associated with the transition to a new supplier. Therefore, it is recommended to transition Kronos to the cloud.

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Approved

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