

Exemption from Tender - TechnologyOne

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Summary

The City's core financial management system is provided by TechnologyOne, following a tender process in 2003 and implementation in 2004. The version of the financial management system installed at the City is no longer being developed by TechnologyOne and has been superseded by a more recent version release.

The City's Information, Communication and Technology Strategic Plan recommends a consideration and transition, where appropriate, to cloud based computing and mobile enabled applications to maximise the benefits afforded by these technologies and approaches.

A review of the City's enterprise systems was undertaken in 2017 and recommended a continuation of the organisational investment with TechnologyOne, to leverage the staff effort and expertise gained over the last 14 years. TechnologyOne is a core system of the City and is deeply embedded across the operations of the organisation.

It is proposed to transition the current on-premises version of the TechnologyOne software, to a cloud hosting arrangement, subject to an appropriate technical and commercial assessment, in readiness to upgrade TechnologyOne and optimise the City's existing investment in skills and knowledge and to access the improved functionality.

This approach aligns with the internal direction of upgrading and not replacing the core enterprise systems at this time, recognising that while there are potential alternative suppliers for other relevant proprietary systems, the level of resources to tender, implement and develop new business processes across Council would be significant and not offset by sufficient benefits to represent value for the City at this time.

TechnologyOne is the sole provider of this proprietary software, and competitive market bids cannot be sought for this upgrade. It is therefore recommended that tenders not be invited for the provision of the cloud hosting arrangement, nor the proposed upgrade. Value for money outcomes will instead be optimised through negotiation and leverage of the City's long term business partnership to minimise the costs required to achieve the upgrade, subject to finalisation of an appropriate technical and commercial assessment.

Recommendation

It is resolved that Council:

- (A) note that because of the unavailability of competitive tenders a satisfactory result would not be achieved by inviting tenders;
- (B) note the reasons why a satisfactory result would not be achieved by inviting tenders are:
 - (i) the unavailability of other providers of the TechnologyOne software; and
 - (ii) the cost to invite tenders and to implement a potential alternative proprietary solution would provide an uneconomical result for the City; and
- (C) delegate authority to the Chief Executive Officer to negotiate, execute and administer the contract with TechnologyOne for migrating to and providing cloud hosting services and the upgrade of TechnologyOne to the CiAnywhere version on terms acceptable to the City.

Attachments

- Attachment A.** Summary of Costs - TechnologyOne - Cloud Hosting and Upgrade (Confidential)

Background

1. The City's current financial management system provided by TechnologyOne was implemented in 2004 on the basis of a tender approved in 2003. The Ci version of the software which was implemented at the City in 2010, is no longer being developed by Technology One and has been superseded by the CiAnywhere version.
2. The current City of Sydney TechnologyOne implementation includes modules for:
 - (a) general ledger including budgeting and reporting;
 - (b) accounts payable;
 - (c) accounts receivable;
 - (d) purchasing; and
 - (e) Corporate Performance System - including business planning, project governance and bespoke solutions for a number of business processes, including Councillor support and finance reporting system, phone, taxi and petty cash governance and reporting.
3. The system is used by 760 staff, 24 hours a day, seven days a week, and in the last year managed over 2 million transactions. This includes 10,500 purchase orders with 40 per cent of these orders generated in areas where staff could work mobile on location.
4. The City's 2014 Information, Communication and Technology Strategic Plan recommends a transition to cloud based computing and mobile enabled applications to maximise the benefits afforded by these technologies and approaches. One of the targets of the Strategic Plan is for the majority of our mobile workforce to be able to transact with enterprise applications on location.
5. A review of the City's enterprise systems, including TechnologyOne was undertaken in 2017 and recommended a continuation of the organisational investment with TechnologyOne, to leverage the staff effort and expertise gained over the last 14 years. Specifically, it recommended investigation of the CiAnywhere version for use by the City to provide additional mobility access by staff.
6. The current version continues to be supported by TechnologyOne but is no longer being developed and does not take advantage of newer technologies and functions, such as access via mobile devices and more efficient workflow processes. It is intended to upgrade the TechnologyOne Ci version to the latest CiAnywhere version and avoid the significant costs associated with inviting tenders for a major corporate financial system.
7. A project has been developed to upgrade the current platform of TechnologyOne in two stages. It is proposed to transition the current on-premises version of the TechnologyOne software to the cloud, and as a second stage, upgrade the current installed version of Ci to the newer CiAnywhere version. This two-step approach reduces the risk by focusing on two smaller transitions rather than one larger stage and will ensure the City's previous investment into skills and knowledge in the product is maximised.

8. This would be the City's first transition to the cloud of a major enterprise system in line with the Information, Communication and Technology Strategic Plan and requires diligent assessment of the project's technical and functional risks and benefits which can only be undertaken with the vendor directly. An initial assessment of the risk, benefits and costs of transitioning to the cloud has been completed but further in-depth analysis with TechnologyOne is required.
9. TechnologyOne has provided an initial non-qualified price estimate for the cloud hosting services and the upgrade to CiAnywhere subject to further scoping and clarification of requirements with the vendor and it is proposed to best achieve this in a discovery and negotiation phase between the City and TechnologyOne.
10. TechnologyOne is the only vendor who can manage the cloud hosting services of the TechnologyOne product as it uses their own proprietary software and database.
11. TechnologyOne is the only supplier of the TechnologyOne software and inviting tenders would not achieve a satisfactory result as significant costs would be incurred in the development of a specification, associated procurement resources and any subsequent implementation of an alternative proprietary and integrated solution.
12. There will be no expansion of modules for other functions such as project management or contract management as part of this project. It is considered appropriate to not call tenders for the proposed cloud hosting service and upgrade and authorise the Chief Executive Office or delegate to negotiate with TechnologyOne on terms and conditions acceptable to the City.
13. The City has implemented an Accounts Payable Supplier Invoices Automation process which is tightly integrated with the City's installation of TechnologyOne. The Kofax software requires to be upgraded should the City upgrade to the CiAnywhere version.

Performance Measurement

14. The City is assessing the longer term transition to cloud hosting where appropriate, including technical, functional and financial benefits and risks. Specific measures for this project will be developed and included as key components to assess the merits and performance of the project.

Financial Implications

15. There are sufficient funds allocated for this project within the current and future year's capital works for the project costs and operating budget for the ongoing support costs and future years' forward estimates.

Relevant Legislation

16. Attachment A contains confidential commercial information of the vendor which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
17. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.
18. Dollar amounts stated in this report are inclusive of GST.

Critical Dates / Time Frames

19. The transition to the cloud hosting platform for TechnologyOne is proposed to occur in November 2018, during a period which has the least impact on the financial management processes and statutory financial reporting requirements.
20. The proposed date for the upgrade to the TechnologyOne CiAnywhere version is scheduled for November 2019, during a period which has the least impact on the financial management processes and statutory financial reporting requirements.
21. It is intended to negotiate immediately with the vendor upon approval.

Options

22. The City's Information, Communication and Technology Strategic Plan sets the direction for a transition to cloud based hosting services, where appropriate, to enable staff access to key enterprise applications from their work sites.
23. The significant cost to invite tenders for the upgrade and cloud hosting projects would result in an uneconomical result for the City based on the sole provider nature of the Technology One software.
24. The transition from the current on-premises version of the TechnologyOne software to a cloud hosting arrangement, presents risks, benefits and potential additional costs.
25. It is proposed that the best technical and business outcomes are explored further with Technology One to derive the best value for money and business outcomes for the City, before proceeding to any contractual agreement.
26. Should the City not proceed with the transition to the cloud hosting and subsequent upgrade, the City reduces its ability to deliver mobile enabled services and take advantage of the benefits of cloud hosted services.

Public Consultation

27. There is no need for public consultation on this internally focused administration project.

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