

Exemption from Tender – TechnologyOne Transition to Cloud

File No: X084974

Summary

This report seeks an exemption from tender for TechnologyOne Limited to transition from the current on-premise version of TechnologyOne software to a Software as a Service (SaaS) platform, and requests Council approve a new contract for TechnologyOne to transition to, and provide an ongoing service in, a cloud based environment.

The City's core financial management functions use an on-premise system provided by TechnologyOne, following a tender process in 2003 and implementation in 2004. TechnologyOne have advised that a reduction in support for the on-premise version will commence from October 2022. Future upgrades will be available only on the SaaS (Software as a Service) version.

The City's Information, Communication and Technology Strategic Plan recommends a consideration and transition, where appropriate, to SaaS based computing and mobile enabled applications to maximise the benefits afforded by these technologies and approaches and so this proposed transition aligns with the City's future direction.

A review of the City's enterprise information technology systems was undertaken in 2017 and recommended a continuation of the organisational investment with TechnologyOne, to leverage the staff effort and expertise gained since 2004. TechnologyOne is a core system of the City and is deeply embedded across the operations of the organisation with processes designed for specific use cases for the City.

It is proposed to transition the current on-premise version of the TechnologyOne software, to a Software as a Service platform, optimising the City's existing investment in skills and knowledge in the product.

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 systems, the large scale expense, timeframes, risks and impact of a new Enterprise Resource Planning (ERP) review and implementation would be significant and not offset by sufficient benefits to represent value for the City at this time. A new tender process for a replacement system would require significant time and resources to complete over a number of years.

TechnologyOne Limited is the sole provider of their proprietary software, and a competitive tender process is not possible. It is therefore recommended that tenders not be invited for the provision of the Software as a Service (SaaS) or related minor software extensions. 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.

This report recommends that Council grant an exemption from tender for the TechnologyOne transition from on-premise/inhouse installation of TechnologyOne to a SaaS platform and that Council approve a new contract for TechnologyOne to transition to, and provide an ongoing service in, a cloud based service.

Recommendation

It is resolved that:

- (A) Council approve an exemption from tender to enter into a contract with Technology One Limited for the TechnologyOne Transition to, and continued service in, a cloud based service as the unavailability of competitive tenders would not achieve a satisfactory result by inviting tenders;
- (B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because the existing supplier is the sole provider of the relevant software services, and a competitive tender process is not possible; and
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contract(s) relating to the TechnologyOne Transition to, and ongoing service in, a cloud based service on terms acceptable to the City, for the term and total contract sum detailed in Confidential Attachment A to the subject report.

Attachments

Attachment A. Financial Implications (Confidential)

Background

1. The City's current financial management system provided by TechnologyOne Limited was implemented in 2004 on the basis of a tender approved in 2003. During this period the software has been upgraded at key dates to maintain the optimum level of functionality and to maintain a version that is supported by the vendor.
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 module - 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 730 staff, 24 hours a day, seven days a week, and in the last year managed over 8 million transactions.
4. In August 2021, TechnologyOne advised the City that support and future development of our existing on-premise installation will be phased out from October 2021. The current on-premise version will have limited support by TechnologyOne from October 2022 with support restricted to security bug fixes for critical vulnerabilities and regulatory updates. From October 2024, TechnologyOne will turn off all support for on-premise version. It is intended to upgrade the TechnologyOne to the SaaS version and avoid the significant costs associated with inviting tenders and implementing a new major corporate financial system.
5. The company is encouraging its customers to transition to its cloud-based software solution which is the only option available to continue their TechnologyOne applications and remain robust and functioning. The City has confirmed this position within the market with other NSW councils that utilise the TechnologyOne suite of products.
6. The City's current Information, Communication and Technology Strategic Plan recommends a transition to cloud/SaaS 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 remotely. This proposal supports this target.
7. 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 since 2004.
8. TechnologyOne is the only vendor who can provide the SaaS hosting services of the TechnologyOne product as it uses their own proprietary software and database.

9. It is therefore recommended that tenders not be invited for the provision of the Software as a Service (SaaS) or related minor software extensions.
10. Inviting tenders would not achieve a satisfactory result as TechnologyOne Limited is the sole provider of their proprietary software, and a competitive tender process is not possible.
11. A new tender process for a replacement system would require significant time and resources to complete over a number of years. 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 with more information provided in Attachment A.
12. It is considered appropriate not to call for tenders for the proposed SaaS hosting service and authorise the Chief Executive Office or delegate to negotiate with TechnologyOne on terms and conditions acceptable to the City, due to the significant cost and time required to specify, assess and implement an alternative solution as referred to in Attachment A.
13. TechnologyOne has provided the price estimate for the SaaS hosting services which include the transition readiness assessment, transition consulting services, hosting of the City's licenced software and data across three environments, storage, disaster avoidance and backup, support and ongoing development, regular upgrade releases of the software and ongoing security. This includes the provision of cyber security measures and data sovereignty within Australia in line with the City's standards.
14. There will be no significant expansion of modules for other functions as part of this project.

Performance Measurement

15. The City has successfully utilised the Technology One software since 2004 and implemented a number of major software version upgrades enhancing the performance and functionality of the software. Performance of the software application is considered satisfactory, competent in performing its functions, fit for the City's purposes and there is an expectation for this to continue using the SaaS environment.
16. The City has assessed the transition to cloud hosting for this application, including technical, functional and financial benefits and risks. Specific measures for this project and management of the contract will be developed to ensure optimal outcomes for the City.

Financial Implications

17. The move to cloud-based computing represents a shift in costs from capital to operating costs. There are sufficient funds allocated for this project within the current year budgets and will be included in future years' forward estimates.

Relevant Legislation

18. The exemption from tender process has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2021 and the City's Procurement and Contract Management Policy.
19. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
20. Attachment A contains confidential commercial information of the vendor which, if disclosed would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
21. 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.

Critical Dates / Time Frames

22. TechnologyOne have advised that no new functionality will be provided from 1 October 2021 for their on-premise version of the software. From 1 October 2022, only support and security bug fixes will be provided for critical vulnerabilities and regulatory updates. From 1 October 2023 only, critical support will be provided and from 1 October 2024, support will cease entirely.
23. The transition to the SaaS platform for TechnologyOne is proposed to commence in April and to be completed in November 2022. The proposed completion date minimises the period that the software is not fully supported by the vendor and this is considered an acceptable risk for a small period of time.

Options

24. The City's Information, Communication and Technology Strategic Plan sets the direction for a transition to cloud based hosting services and externally managed services, where appropriate.
25. TechnologyOne Limited is the only vendor who can provide the SaaS hosting services of the TechnologyOne product as it uses their own proprietary software and database and conducting a tender process would not achieve a satisfactory result.
26. The time, effort and cost required to specify, procure and implement a replacement financial system as an open tender would be significant and is not recommended at this time. More details are provided in Attachment A.

27. Should the City not proceed with the transition to the SaaS hosting, the City reduces its ability to comply with statutory reporting and accounting standards using the existing on-premise version and this is not recommended.

Public Consultation

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

BILL CARTER

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