

## Item 9.

### Exemption from Tender - Migration to Ungerboeck Cloud

File No: X079471.001

#### Summary

This report seeks an exemption from tender to migrate the current on-premise Ungerboeck Systems International Pty Ltd system to the cloud and requests that Council approve entering into a new software and support agreement with Ungerboeck Systems International Pty Ltd.

The City utilises Ungerboeck software to manage major events and festivals, corporate partnerships, and its venues. Initially implemented in 2008 for major events, it has been utilised to manage venues and corporate partnerships since 2015. Ungerboeck Systems International Pty Ltd is the current software and the only worldwide service provider.

The City's on-premise Ungerboeck system has been in use since 2008. In early 2021, Ungerboeck notified the City that it is moving its system exclusively to the cloud and would cease functional and technical support for our on-premise Ungerboeck system from the end of 2021.

Ungerboeck is a core system within the City that is deeply embedded across operations of three business units (Major Events and Festivals, Venue Management and Corporate Partnerships). Over the last 13 years, the City has invested in significant software customisations to improve the City's customer service capabilities. The current on-premise system is also integrated with other core systems, including finance and document management.

Introduction of a system other than Ungerboeck would introduce significant interruption to Business Units key to the City's Covid recovery efforts. The time required to undertake a review of business processes, system design activities to include the existing customisations developed over the last 13 years, followed by a full Tender process and implementation, would take a number of years from concept through to system handover, with the associated Business Change Management needs continuing for some time after that.

It is proposed to transition the current on-premise version of the Ungerboeck software, to a Software as a Service platform, optimising the City's existing investment in skills and knowledge in the product. Ungerboeck Systems International Pty Ltd is the sole provider worldwide of this proprietary software, do not use a reseller or third party support network, and are the only organisation with the capability to perform the migration. Competitive market bids cannot be obtained for migrating to the Ungerboeck Software as a Service Platform.

It is therefore recommended that tenders not be invited for the provision of Ungerboeck cloud hosting arrangement nor for the cloud migration. This report seeks an exemption from tender and requests that Council approve entering into a new software and support agreement with Ungerboeck Systems International Pty Ltd for another three years with the option for two further extensions of two years each, solely at City's discretion (seven years in total), as detailed in Confidential Attachment A.

## **Recommendation**

It is resolved that:

- (A) Council approve an exemption from tender to enter into a contract with Ungerboeck Systems International Pty Ltd for the Ungerboeck 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 because the existing supplier is the sole provider of the relevant software services that have been customised specifically for the City, and a competitive tender process within the required time frame for transition is not possible; and
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contract(s) relating to the Ungerboeck 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 uses an on-premise Ungerboeck system to manage major events and festivals, corporate partnerships, and venues. Initially commissioned in 2008 for major events and festivals, it has also been used to manage venues and corporate partnerships from 2015.
2. The Ungerboeck system is recognised as world class. Ungerboeck systems are in use at 29 local government councils across Australia, including the City of Melbourne, the City of Adelaide, Brisbane City Council, Newcastle Council, and Hamilton City Council. The system is in use in 50 countries around the world. In 2021, The Event Technology Awards, regarded as the premier networking event for the industry, recognised Ungerboeck as the most useful and innovative technology
3. Ungerboeck is one of the City's core enterprise systems. It is used by approximately 50 business users across Major Events and Festivals, Venue Management and Corporate Partnerships. Supported by Ungerboeck, the City in 2018/19:
  - (a) Generated \$6.9M revenue from its venue hires and generated \$0.94M in revenue from corporate partnerships. The system helped manage 11,544 venue hires in 2018/19.
  - (b) Conducted major events for New Year's Eve (approximately 1M live audience and 425M worldwide audience), Art and About (approximately 400,000 audience), Mardi Gras (approximately 25,000 audience), NAIDOC (approximately 10,000 audience), and Sydney Lunar Festival (approximately 430,000 audience).
4. The City has invested in significant software customisations to improve the City's customer service capabilities. The current on-premise system is also integrated with other core systems, including finance. In early 2021, Ungerboeck notified the City that it is moving exclusively to a cloud-based model and would therefore cease providing vendor support for the City's on-premise system as of December 2021. Replacing Ungerboeck with another system would require the existing customisations to be replicated in the new system at a considerable cost, time and effort.
5. At the commencement of year four of the new arrangement, the City will undertake a review of the business practices and conduct a market assessment to ensure the City understands the business and technology opportunities well before the end of the contract period.
6. A project has been developed to migrate the on-premise Ungerboeck to the cloud. The project will ensure that transition to the cloud is seamless and with no impact on business operations.

## Performance Measurement

7. The City is assessing the technical, functional, and financial benefits and risks for the transition to the cloud. The project will develop specific measures to evaluate merits and monitor performance.

### Financial Implications

8. There are sufficient funds allocated within the current and future year's budgets for the migration to the cloud and ongoing operational and support costs.

### Relevant Legislation

9. 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.
10. 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.
11. 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.
12. 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.
13. Dollar amounts stated in Attachment A are inclusive of GST.

### Critical Dates / Time Frames

14. Transition to the Ungerboeck cloud is proposed to occur in August 2022 during a period that has the least impact on the City's business operations.
15. Negotiation with the vendor can commence immediately upon receipt of Council approval.

## Options

16. Council has the following options to consider regarding this requirement:
- (a) Continuing with the current on-premise system without the vendor support. This option poses significant operational and reputation risks to the City. A failure of the current on-premise system would cause major business disruption and revenue loss. This option is not recommended.
  - (b) Going to the market to identify a suitable replacement of the existing system. This would be a significant additional investment requiring replication of the existing software customisations in a new system. This would also cause significant disruption to Business Units currently working to support the revitalisation of the City following the Covid lockdowns. This cost and effort would not deliver sufficient benefits. This option is not recommended.
  - (c) Migrating the City's on-premise Ungerboeck system to the Ungerboeck cloud. This will significantly reduce the business disruption that would be caused by a new system implementation. This is the recommended option.

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