

## **Tender - Contract Variation - Accounts Payable Supplier Invoice Automation Process**

**File No: S118164.022**

### **Summary**

In December 2013, the City went to market via an open tender process for the supply, installation, maintenance and support of an Accounts Payable Supplier Invoices Automation process.

On 12 May 2014, Council resolved to accept the tender from Xcellerate IT for a three-year contract, with two further options of one year.

The Kofax automated invoice solution has been successfully implemented and provides a seamless process to integrate into the City's corporate finance system, TechnologyOne.

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 in 2017 recommended a continuation of the organisational investment with Technology One, to leverage the staff effort and expertise gained over the last 14 years.

A project has commenced to transition the current in-house version of the TechnologyOne software to a cloud hosting arrangement, subject to an appropriate technical and commercial assessment, in readiness to upgrade TechnologyOne.

The proposed upgrade to TechnologyOne to a cloud hosted platform, also requires an upgrade to the existing version of the Kofax application, to enable the integration of the data into the corporate finance system.

The current vendor, Xcellerate IT, provides support and maintenance activities for the Kofax application under the current contract, which expires on 19 June 2019. There are other vendors that support Kofax in the market, however, the current provider has an in-depth knowledge of the City's configuration, business rules and support expectations and is supplying maintenance services under the current contract. Their understanding of the City's business processes, configuration, implementation and ongoing support has enabled the City to improve internal controls through less manual interventions, and much of this knowledge transfer could be at risk with a new vendor in the short term.

This report recommends Council approve a variation to the Major Services Agreement for Accounts Payable Supplier Invoice Automation to upgrade the Kofax product and transition to a new version that enables migration of this system to the cloud. The variation exceeds 10 per cent of the original contract and requires Council approval.

## Recommendation

It is resolved that:

- (A) Council approve the variation to the contract for the Supply and Implementation of an Accounts Payable Supplier Invoice Automation Process Solution; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the variation to the contract with Xcellerate IT for the purpose of the Supply and Implementation of an Accounts Payable Supplier Invoice Automation Process Solution within the current period of the contract, and otherwise on terms acceptable to the City.

## Attachments

**Attachment A.** Estimated Costs for the Upgrade of Accounts Payable Supplier Invoice Automation Process Solution (Confidential)

**(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)**

## Background

1. The City processes over 52,000 invoices a year for approximately 4,000 suppliers. To implement a new level of process efficiency for the accounts payable function, the City went to market via an open tender process for the supply, installation, maintenance and support of an Accounts Payable Supplier Invoices Automation process in December 2013.
2. On 12 May 2014, Council resolved to accept the tender from Xcellerate IT for a three-year contract, with two further options of one year.
3. The automated invoice solution has been successfully implemented and provides a seamless process to integrate into the City's corporate finance system, TechnologyOne.
4. 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.
5. A review of the City's enterprise systems in 2017, recommended a continuation of the organisational investment with Technology One, to leverage the staff effort and expertise gained over the last 14 years.
6. A project has commenced 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. This would optimise the City's existing investment in skills and knowledge in order to access the improved functionality.
7. The proposed upgrade of TechnologyOne to a cloud hosted platform also requires an upgrade to the existing version of the Kofax application to a compatible version for integration.
8. The current vendor for the accounts payable supplier invoice automation process, Xcellerate IT, provides support and maintenance activities for the Kofax application under the current contract, which expires on 19 June 2019. There are other vendors that support Kofax in the market, however the current provider has an in-depth knowledge of the City's configuration, business rules and support expectations and is supplying maintenance services under the current contract. Their understanding of our business process, configuration, implementation and ongoing support have enabled the City to improve internal controls through less manual intervention, and much of this knowledge transfer could be at risk with a new vendor in the short term.
9. This report recommends that Council approve a variation to the Major Services Agreement for the Accounts Payable Supplier Invoice Automation process to upgrade the Kofax product. The variation exceeds 10 per cent of the original contract and requires Council approval. Further information is provided in confidential Attachment A.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030 Vision

10. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
  - (a) Direction 10 - Implementation through Effective Governance and Partnerships - providing a proactive, resilient and well-governed organisation.

### Organisational Impact

11. The final project outcomes will provide a robust base to deliver greater efficiencies and new functionality derived from a cloud based corporate finance management solution on a platform that is accessible by staff on any device at any time using a web browser.
12. Without periodic upgrades to software, the operational effectiveness of the software reduces the ability to achieve its highest potential, lessening the overall value of the investment already made. The proposed transition to the cloud and upgrade of the software, ensures that staff have the opportunity to utilise the most current software in the most efficient and effective manner.

### Risks

13. Risks such as maintaining business continuity for key processes throughout the project and the level of integration with other City systems and processes have been identified within the initial project planning and scoping stages. Key phases of the project have been planned to align with periods of least impact, and with sufficient time for testing to ensure related systems are not impacted negatively.

### Social / Cultural / Community

14. The City's information technology applications and appliances form an integral part of the services that the City provides to its residents and businesses. Without maintenance, support and periodic upgrades, the applications that support these services may falter, become inefficient and eventually fail.

### Budget Implications

15. There are sufficient funds allocated for this project within the current year's Information Technology capital budget and future years' forward estimates.

### Relevant Legislation

16. Attachment A contains confidential commercial information of the vendors 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.

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.

### **Critical Dates / Time Frames**

18. 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.
19. The planned upgrade of the Kofax product needs to align with the TechnologyOne transition phase of November 2018.

### **Options**

20. The City's Information, Communication and Technology Strategic Plan sets the direction for a transition to cloud based hosting services where appropriate and to enable staff access to key enterprise applications from their work sites.
21. The transition from the current on-premises version of the TechnologyOne software to the cloud requires the upgrade of the Kofax accounts payable supplier invoice solution, and without this upgrade, the efficient processing of invoices is not possible.
22. There are other vendors that support Kofax in the market, however, the current provider has an in-depth knowledge of the City's configuration, business rules and support expectations and is supplying maintenance services under the current contract. Their understanding of the City's business processes, configuration, implementation and ongoing support has enabled the City to improve internal controls and realise the expected efficiencies. Much of this knowledge transfer would be at risk with a new vendor.
23. Should the City not proceed with the transition to the cloud hosting and subsequent upgrade for TechnologyOne and the Kofax applications, the City reduces its ability to deliver mobile enabled services and take advantage of the benefits of cloud hosted services.

### **Public Consultation**

24. There has been no public consultation for this project.

### **BILL CARTER**

Chief Financial Officer

Geoff Burton, Business Planning and Performance Manager