



City of Busselton
Geographe Bay

COUNCIL AGENDA

SUPPLEMENTARY ITEMS

22 September 2021

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

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CITY OF BUSSELTON

LATE ITEMS FOR THE COUNCIL MEETING TO BE HELD ON 22 SEPTEMBER 2021

TABLE OF CONTENTS

ITEM NO.	SUBJECT	PAGE NO.
16.	FINANCE AND CORPORATE SERVICES REPORT	3
16.1	TECHNOLOGY ONE SOFTWARE AS A SERVICE	3

16. FINANCE AND CORPORATE SERVICES REPORT

16.1 TECHNOLOGY ONE SOFTWARE AS A SERVICE

STRATEGIC THEME	LEADERSHIP - A Council that connects with the community and is accountable in its decision making.
STRATEGIC PRIORITY	4.5 Responsibly manage ratepayer funds to provide for community needs now and in the future.
SUBJECT INDEX	Information Technology
BUSINESS UNIT	Information Services
REPORTING OFFICER	Manager Information Services - Kris Davis
AUTHORISING OFFICER	Director Finance and Corporate Services - Tony Nottle
NATURE OF DECISION	Contractual: To enter into a contract e.g. a lease or the award of a tender etc.
VOTING REQUIREMENT	Simple Majority
ATTACHMENTS	Attachment A Published Under Separate Cover Confidential Transition to SaaS Proposal Technology One

OFFICER RECOMMENDATION

That the Council:

- 1. Acknowledge that, due to the unique nature of the service of the Technology One Transition to Software as a Service Proposal, and the sole supplier of this service being Technology One, that this satisfies the requirements of Regulation 11(2)(f) of the *Local Government (Functions and General) Regulations 1996*;**
- 2. Accepts Technology One SaaS Agreement proposal totalling \$2,316,995 (excluding GST) over a seven (7) year term as provided in confidential Attachment A.**
- 3. Authorise the Chief Executive Officer to negotiate and enter into a contract on behalf of the City with Technology One to transition to the Software as a Service model as outlined in part 2.**

EXECUTIVE SUMMARY

The City of Busselton wishes to move from our current Technology One (T1) on premise model to a Software as a Service model (SaaS) for increased mobility and efficiency. The T1 product is also ceasing its customer support for on premise sites by 2024.

The total value of the contract is \$2,316,995 over a 7-year period, which covers the Annual Service Maintenance, Cloud hosting fees and additional modules required by the City.

T1 is the Enterprise Resource Planner (ERP) for the City and provides the backbone for all operational activity including rating, property, finance, human resources, payroll and mapping.

The recommendation of this report is to accept the T1 SaaS contract.

BACKGROUND

Following a review of available ERP's on the market, the City has decided to continue its engagement with T1 and invest in the platform for the next 10 years via the Long Term Financial Plan (LTFP). The City will invest a total of \$250,000 per annum in projects and resources to further enhance the system.

Highlighted projects include technical and project management resources for the Financial Accounts Restructure, migration of asset data, migration to CiAnywhere Financials (CiAnywhere is a modern web based interface) and others.

Each of these projects introduces significant change to the City and requires structured project management to ensure the project is successful. Technical resources are also required for configuration of the software and alignment with the City's processes.

OFFICER COMMENT

The City has reviewed the ERP market for local government and decided to remain with T1 as its ERP provider. The main reason is that competitors are not yet ready to provide the service we require, and the costs and resources associated with a move to another provider are significantly more than the current and proposed investment. Additionally, T1 already services 73% of the market across Australia, providing the City with increased access to specialised technical resources.

T1 have recently announced that they will no longer support on premise environments from 2024 and are aligning with most software providers to being a SaaS provider only. If we choose not to proceed with the proposed SaaS agreement, then the City will need to begin planning for a change of ERP provider by 2024 and additional funds will need to be raised.

A SaaS environment addresses many risks we currently face and allows the Information Technology team to focus on high value work as opposed to low value maintenance work. Some of the risks addressed are:

- Cyber Security – T1 hosting adheres to ISO 27001 and provides a more robust environment than the City can offer.
- Outages – T1 Service Level Agreements provide for a 99.9% service uptime which the City cannot match itself.
- Integration – T1 no longer develop their on premise service and the SaaS environment provides additional modules and integration that can be leveraged to simplify the City's ICT environment.
- Resourcing – historically it has been hard for the City to attract skilled IT resources; by adopting the environment used by most Councils in Australia, we increase the pool of shared knowledge and resources available to us.

The move to SaaS is a pre-requisite for many of the planned process improvements at the City, including the current Business System Improvement Project (BSIP). It provides access to more modern functionality that focuses on providing the ratepayer with more access to their information via online portals and self-service options.

In addition to the LTFP investment, there are operational licensing costs, Annual Service Maintenance (ASM), which is the cost for the City to use the product each year, access to technical support and software updates. This is standard for software use. The current cost per year is \$217,306 and is factored into the City's annual budget.

The SaaS proposal introduces additional yearly fees being the cost for the software to be hosted on T1's infrastructure (cloud). The additional cost of this service is annualised at \$149,717 (NPV) and will be offset by cost reductions over the term of the agreement in other areas including:

- Hardware replacement and licensing \$298,860
- Resourcing (opportunity cost) \$500,400

A summary of all T1 costs are outlined in the table below:

	Annualised Cost	7 Year Total Cost
ASM	217,306	1,521,142
Projects	250,000	1,750,000
SaaS*	145,710	1,019,970
Total	613,016	4,291,112

**The ASM and Project costs are included in the existing budget; only the SaaS fees are being requested in this report.*

The requested SaaS fees have been negotiated with T1 and we believe the City is receiving the best possible value for money. City officers have also negotiated additional test environments, modules, training and plus fee waived periods to ensure best value to the City.

Statutory Environment

The *Local Government (Functions and General) Regulations 1996* (Regulations) and the City's Purchasing Policy (Purchasing Policy) provide the statutory procurement framework. In terms of regulation 11(1) of the Regulations, unless an exemption applies, tenders are to be publicly invited before a local government enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$150,000.

In this particular circumstance, T1 are the only suppliers of the service that the City requires for the SaaS solution for the existing City ERP. Therefore, it is not possible to obtain alternate quotations in accordance with the existing Purchasing Policy. Tendering for this product is also not possible as there is only one supplier. The *Local Government Act 1995* and the Regulations, however, recognise that these types of circumstances can occur. As such, Regulation 11(2)(f) of the Regulations states:

- (2) *Tenders do not have to be publicly invited according to the requirements of this Division if —*
- (f) *the local government has good reason to believe that, because of the unique nature of the goods or services required or for any other reason, it is unlikely that there is more than one potential supplier;*

As T1 are the sole supplier of this service, regulation 11(2)(f) is applicable.

The CEO has been delegated authority (DA 1 - 07 Inviting Accepting and Rejecting Tenders) from Council and has the power to authorise contracts and tenders up to the value of \$500,000. Therefore, this particular contract is referred to Council as it is outside the CEO's delegated authority.

As the estimated contract value for the proposed contract is \$2,316,995 over a 7-year period, this would require Council consideration and approval. However, only \$1,019,970 is the cost over and above the current costs over a 7-year period.

Relevant Plans and Policies

There are no relevant plans or policies to consider in relation to this matter.

Financial Implications

The City has currently allocated its costs for the existing T1 ERP within its operational costs of the annual budget. The proposal does not impact upon the 2021/22 financial year budget and no additional costs are required. The table below outlines the additional costs of a transfer from on premise to SaaS:

Financial year	FY22	FY23	FY24	FY25	FY26	FY27	FY28
PROPOSED SaaS	30-Sep-21 to	1 July 2022 to	1 July 2023 to	1 July 2024 to	1 July 2025 to	1 July 2026 to	1 July 2027 to
	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26	30-Jun-27	30-Jun-28
Total for period (minus ASM)							
Previously budgeted	\$ -	\$ 135,657	\$ 175,499	\$ 175,499	\$ 175,499	\$ 175,499	\$ 175,499

In addition, the City will not be required to replace the existing servers and other hardware associated with maintaining the existing on premises model. City officers would be able to shift focus to other IT requirements as there would not be a need to maintain the system on site. Council will need to consider this extra cost in future budgets and its LTFP.

Stakeholder Consultation

No external stakeholder consultation was required or undertaken in relation to this matter.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. The City is obliged to correctly license software applications used by the organisation to meet the terms of use for these products.

Options

As an alternative to the proposed recommendation, the Council could not accept the agreement and start planning for migration to another ERP provider which would impose a significant additional financial cost and resource impact on the City.

CONCLUSION

It is recommended that the Council authorise the CEO to negotiate and enter into a contract in line with the draft T1 SaaS agreement/proposal. The recommendation is based on 'whole of business' outcome and approach for the provision of ICT services in accordance with corporate objectives and the application of procurement rules as determined in the City's purchasing policy.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The contract between the City and T1 will be executed as soon as practicable following the approval and adoption of the recommendation of this report.

The project for migration of our current on premise environment to the hosted environment will begin immediately after execution of the contract, with initial estimates having the project being completed within 8 months.