

6. COUNCIL REPORTS

6.13 CONTRACT RFT-2020-126 PROVISIONS OF PAYROLL TIME AND ATTENDANCE PLATFORM AND SERVICES

Director Business Transformation

Information Technology

Officer Recommendation

That Council:

1. Authorises the Chief Executive Officer to:
 - a) Make a formal offer to Frontier (Tenderer) to award Contract No. RFT-2020-126 – Provision of Payroll, Time and Attendance Platform and Services on the following terms and otherwise subject to and in accordance with paragraph 1(b) of this Resolution:
 - i) Maximum term of 13 years subject to the following contract conditions:
 - Fixed price basis for 3 years, and then attracts CPI for every year extended, up to a further 10 years. The total expected maximum fixed cost of services is \$2,096,054.20 (excluding GST, CPI indexing and variable cost additions - i.e. increase in employee numbers).
 - Variable price basis for increase in licence volumes beyond 1100 employees and 230 time-sheeted staff in accordance with the prescribed contract schedule. The total estimated variable costs are not to exceed \$10,000 per annum.
 - b) negotiate and finalise the terms of the Contract between Council and the Tenderer provided that:
 - i) the terms specified in paragraph 1(a) of this Resolution shall not be altered without a further Resolution of Council; and
 - ii) other than terms referred to in paragraph 1(a) of this Resolution, the terms of the Contract are acceptable to the Chief Executive Officer;
2. Conditional on acceptance of the Contract by the Contractor in accordance with the terms of this Resolution:
 - i) authorises the Director of Business Transformation to do all things necessary to execute the Contract and any required documentation for the Contract; and
 - ii) authorises the Chief Executive Officer to exercise the option(s) to extend contracts in accordance with the provisions within the Contract;
 - iii) advises all tenderers of Council's decision in relation to the Contract
3. Notes that additional budget funds of \$73,907.40 will be required for the 2021/22 financial year, and then \$41,907.40 per annum from and including 2022/23 for project delivery, which will be referred to in the 2021/22 budgeting process (including factoring in CPI indexing over the contract duration).

Executive Summary

This report recommends the awarding of Contract No. RFT-2020-126 for the Provision of Payroll, Time and Attendance Platform and Services. Council undertook a tendering process to seek submissions from suitably qualified and capable organisations to implement a Payroll, Time and Attendance solution for Council employees, and provide ongoing licensing and support for its use.

Approximately 1,100 employees log their attendance and timesheets and are paid in total more than \$2 million dollars each fortnight using our payroll system. Council must award entitlements and calculate pays according to our Enterprise Agreement, which is complex and requires careful application to avoid incorrect payments.

Tenderers were requested to submit responses that would allow evaluation according to the proposed Solution, Vendor Capability, Price, Usability and Environmental, Social and Economic sustainability.

The contract term proposed is a 13-year term, with an initial period of three years and the option to extend every year up to ten years. Subject to Council approval, it is anticipated that the contract would commence on 4 January 2021 with implementation planned to occur from January to June 2021.

The Request for Tender (RFT) was advertised in *The Age* newspaper and Council's website on 5 September 2020 and 8 submissions were received by closing time 4pm on 2 October 2020.

Two submissions did not pass the compliance check and the remaining 6 submissions were evaluated by the Tender Evaluation Panel comprising wide representation of Council officers. During the detailed tender evaluation process, submissions were shortlisted to three, day-long demonstrations undertaken with each, and multiple rounds of clarifications issued to obtain further information about the shortlisted options. Negotiations were held with two tenderers who were requested to review their submitted prices and submit their best and final offers after negotiations were conducted with each of them.

The expenditure commitment for the initial term of three years is \$676,980.20 and the maximum contract commitment over the full 13 years, inclusive of all contract extensions is \$2,096,054.20 (excluding GST and CPI indexing, which will occur annually over the duration of the contract). These fees are inclusive of solution implementation, licenses and support for 1,100 staff and 230 rostered staff over the maximum thirteen-year contract period.

The Tender Evaluation Panel has recommended awarding the contract to Frontier Software in accordance with the tender and conditions as determined, and in line with Council's procurement policy and advice.

1. Policy Context

This report is in keeping with Council's commitment to accountability and sound financial management as set out in the Council Plan 2017-21. It also addresses the requirement under Section 186a of the *Local Government Act 1989*, which requires Council to conduct a public tender for services where the contract value is more than \$150,000 for services as well as the policy commitments contained in Council's Procurement Policy (June 2020).

2. Background

In March 2020, the Moreland Executive endorsed an approach to market for a new Payroll, Time and Attendance solution to replace the current end of life systems – Oracle JD Edwards (JDE) and Kronos Workforce Central.

The key drivers for change are:

- Compliance with Australian Taxation Office's Single Touch Payroll legislation;
- Minimise manual processing to decrease the risk of incorrect staff payments;
- Provide a modern platform with inbuilt functionality and features;
- Ensure ongoing licensing and support rates are competitive and fit for purpose;
- Enhance staff and manager user experience;
- Reduce staff time required to maintain payroll, time and attendance related activities.

Request for Tender (RFT) documents were released on Saturday 5 September 2020 with submissions accepted up until 4pm Friday 2 October 2020. An advertisement was placed in *The Age* newspaper on 5 September 2020 and on Council's website.

The contract term sought is an initial period of three years with the option to extend for a further period of up to ten years. Subject to Council approval, it is anticipated that the contract would commence on 4 January 2021.

3. Issues

Services to be Contracted

As per RFT-2020-126 the services in scope are:

- Payroll Time and Attendance Employee Self Service Platform implementation
- Support and Licenses Payroll
- Support and Licenses Time and Attendance
- Support and Licenses Employee Self Service

Optional items, as part of the tender package, including Dynamic Rostering, Remuneration Review, Organisational Modelling and Onboarding and Offboarding were also evaluated.

Tender Evaluation

A Tender Evaluation Panel (TEP) comprising representatives from different business areas evaluated the tenders using the below listed compliance and comparative criteria.

A Tender Evaluation Plan which included the agreed selection criteria and weightings was prepared and signed off by the Project Board prior to releasing the RFT to market to ensure transparency, objectivity and fairness to all tenderers involved in the RFT process.

The tenders have been evaluated in accordance with Council's Procurement Policy. The Tender Evaluation Panel membership included:

Department	Evaluation role
Organisational Performance	Tender Evaluation Panel Chair
Information Technology	Main Scorer
Human Resources x 2	Main Scorers
Finance	Main Scorer
Information Technology x 3	Partial Scorers
Amenity and Compliance	Partial Scorer
Library Services x 3	Partial Scorers
Maternal Child Health and Immunisation x 2	Partial Scorers
Customer Service x 2	Partial Scorers

Detailed evaluation criteria and weightings are provided in **Confidential Attachment 1**.

The tender assessment was completed using Council's evaluation assessment matrix. The parameters used for evaluation scoring are based on Key Selection Criteria advertised in the tender (Part 2 Special Tender Conditions).

Compliance and Comparative Criteria

Compliance criteria

The following compliance criteria was used to assess submissions on a compliant/non-compliant basis without providing a score (if compliance criteria are not adequately met, Council may exclude the submission from further assessment):

- Submissions to use the provided templates including the pricing schedule
- Compliance with Financial Viability and Compliance Criteria
- Solution data centres located in Australia
- Current Insurance certificates with the appropriate coverage
- Compliance with 'Must Have' Business Requirements
- Provision of System Administrator access to an Out of the Box environment for duration of the tender evaluation period
- Compliance with provision of demonstration and configured environment for usability testing – Only applicable to shortlisted tenderers
- Compliance with Business Continuity, Quality, OH&S provisions.

Comparative Criteria

The Tender Evaluation Panel individually scored responses out of 5 and then came together as a group to reach a consensus. The categories used to score were:

Solution Capability	The extent, and how the proposed solution will meet Council business requirements.
Solution Architecture	An overview of the proposed Solution, its components, any integration and confirmation of compliance with non-functional requirements.
Vendor Capability	Vendor capability such as experience, key personnel, implementation approach, project scope

	and project plans.
Price and Contracts	Price was assessed based on Life Cycle cost of the product including: <ul style="list-style-type: none"> • Implementation • Training • Ongoing Licenses and support. This score could also be reviewed to account for any contract variations or alternatives.
Economic, Social and Environmental Sustainability	Tenderer demonstration of activity and achievements regarding their economic, social and environmental sustainability.
Usability	Evaluation of the proposed solution through use of the software.

Stage 1 – Compliance Assessment

Eight submissions were received from tenderers; two submissions however did not pass the compliance check which left six responses that were evaluated by the Tender Evaluation Panel.

Stage 2 – Comparative Criteria Assessment

Post compliance assessment, a shortlisting process was undertaken in accordance with the Tender Evaluation Plan. The shortlist was determined by assessing the offers according to:

- The proposed solution and effort involved to meet requirements;
- The vendor approach, capability and experience implementing and supporting the proposed solutions;
- The proposed implementation timeframe; and
- The tendered implementation and ongoing operational costs, and any contract departures or alternatives.

Before undertaking the assessment, all members of the Tender Evaluation Panel and Project Board completed and signed the Conflict of Interest and Confidentiality declaration.

Tender Demonstrations and Clarifications

A shortlist of three was endorsed by the Project Board on Thursday 22 October, and day long demonstrations were undertaken with tenderers on 29 and 30 October and 4 November.

The initial findings were presented to the Project Board and further clarifications, Best and Final Offers and Reference checks then sought for the top two shortlisted options. The assessment findings and recommendation were then presented and endorsed by the Project Board.

The evaluation was conducted in accordance with Council’s procurement policy and advice.

The shortlisted responses were (in order from highest to lowest scores):

1. Frontier Software
2. Tenderer 4
3. Tenderer 8.

Tender Evaluation Panel findings

The evaluation panel recommended the Frontier Software submission with the following findings:

- Utilising the evaluation criteria and weightings, the Frontier Software option was the highest scoring submission;
- Frontier Software's head office is located in Melbourne and the organisation comes with Local Government experience and project capacity which was viewed favourably by the panel;
- The minimisation of manual processes was an important consideration for the panel in determining the findings; and
- Demonstrated implementations and a commitment of product re-investment provided confidence that the proposed solution can meet Council's current and future needs.

The solutions provided by vendors in relation to the optional functionality of Dynamic Rostering, Remuneration Review, Organisational Modelling and Onboarding and Offboarding has been deemed unsuitable or cost prohibitive. Software licenses for these functions have not been pursued at this time.

Legal and risk considerations

Council pays over \$2 million in wages every fortnight to its staff. Currently, software and manual processes are relied upon to correctly award entitlements such as RDOs, overtime and allowances, and to calculate pays.

Council is obliged to pay entitlements according to the Council Enterprise Agreement (2018). Our Enterprise Agreement is complex, with different employee groups attracting different conditions and entitlements. As an example of the agreement's complexity, there are 21 pages of overtime rules that must be interpreted and complied with each pay. Should the software not be configured correctly to meet our obligations, or if its features don't support the reduction of manual processing then there is an increased risk of incorrect payments and related liability. If not identified, even a small error could contribute to a financial liability over the term of the 13 year contract.

The Tender Evaluation Panel weighed up vendor and software capabilities in terms of minimising the above risks for implementation and the ongoing operation of the solution.

Climate emergency and environmental sustainability implications

A reduction in paper use will occur as a result of this project, due to transitioning from printed leave applications to online forms.

The recommended tenderer's head office is based in Melbourne and employs staff from the Moreland council area.

4. Consultation

With respect to the development of requirements for this tender, the IT and Payroll Units consulted with HR, Libraries, Customer Service, Maternal and Child Health, Immunisation, and Amenity and Compliance to finalise specifications.

During implementation, which is proposed from January to June 2020, staff will be engaged to understand business and training requirements. Communications will also take place with staff and Unions to ensure notice is provided of upcoming system changes.

5. Officer Declaration of Conflict of Interest

Section 80C of the *Local Government Act 1989* requires members of Council staff, and persons engaged under contract to provide advice to Council, to disclose any direct or indirect interest in a matter to which the advice relates. Council officers involved in the preparation of this report have no conflict of interest in this matter.

6. Financial and Resources Implications

Please note all amounts are exclusive of GST.

Implementation budget

\$400,000 was approved for the 2020/21 financial year for the implementation of a new payroll solution, including project resourcing and integration costs. This is one-off funding that has been included in the IT base budget for 2020/21 only.

Ongoing Licence and Support fee budget

Council currently use Oracle JD Edwards (JDE) for payroll and Kronos for time and attendance. The IT operating budget includes funding of \$64,000.00 (indexed by CPI annually) for the licensing and support of Kronos, and whilst there are no licensing costs budgeted for JDE, support costs of \$36,000.00 for the past 12 months have been funded in the IT operating budget.

By decommissioning the existing software, the total annual operating budget to be redirected to this project is \$100,000.00 (indexed by CPI annually).

Required Contract Funding

A breakdown of the budget over the contract duration is set out in **Confidential Attachment 2**.

7. Implementation

Upon Council endorsement of this report, contracts will be drawn up and executed. The new contracts will come into effect from 4 January 2020.

Implementation of the new solution will occur from January to June 2021, with the potential to release changes in phases which will be agreed during Project Planning.

Attachment/s

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| 1 | RFT-2020-126-Group Evaluation Summary - Final | D20/506400 |
| | <i>Pursuant to section 3(1)(d) of the Local Government Act 2020 this attachment is confidential because it relates to contractual matters.</i> | |
| 2 | RFT-2020-126-Contract Costs Breakdown - Final | D20/506401 |
| | <i>Pursuant to section 3(1)(d) of the Local Government Act 2020 this attachment is confidential because it relates to contractual matters.</i> | |