

7 Presentation of officer reports

7.1 Contract No 2018/115A Business Process Optimisation Services

Abstract

This report seeks Council approval to award Contract No. 2018/115A to KPMG at an initial cost of \$417,176.10 (including GST) for the provision of delivering Phase 1 of the Business Process Optimisation Services, and at the discretion of Council award all or part of the activity requirements of Phase 2 in accordance with Council's adopted 2018-19 budget allocation and the confidential schedule of rates provided by KPMG.

The Business Process Optimisation (BPO) suite of services will deliver a framework that will enable Council to analyse, improve, and automate business processes. The proposed BPO services will focus on end to end process design enabling Council to place the customer at the centre of all Council services.

Phase 1:

- A Business Case for Boroondara Customer First Program return on investment (the Business Case)
- A Measurement and Reporting Framework
- BPO services for Council's Payment Refund (Rates) process - Pilot Program.

Phase 2:

- BPO for processes nominated by Council identified through the development of the Business Case (Phase 1)
- BPO Governance Framework
- Product and Service catalogue development.

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments, in accordance with Section 89(2) of the Local Government Act 1989, as the information relates to contractual matters and premature disclosure of the information could be prejudicial to the interests of Council or other persons. This item has been included in the public agenda to facilitate transparency and accountability in Council's decision making.

If discussion of the confidential information in the attachments to this report is required in order for Council to make a decision, this item will be deferred to the confidential section of the agenda.

Council has obtained legal advice on the Services General Conditions, which has been considered as part of preparing this report.

Officers' recommendation

That Council resolve:

1. To award Contract No. 2018/115A, Business Process Optimisation Services, to KPMG (ABN 51 194 660 183) at a fixed cost of \$417,176.10 (including GST) for Phase 1 with an estimated commencement date of 1 August 2018 to deliver a Business Case, Measurement and Reporting Framework and Pilot process.
2. To note, the cost to Council after the return of the GST Tax Input Credits for Phase 1 is \$379,251.00.
3. To authorise the Chief Executive Officer or his nominated delegate to finalise, sign and execute the contract documentation on behalf of the Council.
4. To authorise the Chief Executive Officer or his nominated delegate to approve Phase 2 activity requirements and associated costs on behalf of the Council in accordance with Council's approved budget allocation and KPMG schedule of rates, contained within the confidential section of this report.
5. To note any contract extension beyond 30 June 2020 will be subject to a further Council report.
6. To note Council's 2017-18 approved budget provided \$384,000.00 (excluding GST) for Phase 1 and Council's 2018-19 adopted budget allows for the commencement of Phase 2. Expenditure in future years will be in accordance with Council's approved budget allocations.

**Responsible director: Marilyn Kearney,
Customer Experience and Business
Transformation**

1. Purpose

To seek approval to engage KPMG under Contract No. 2018/115A for the provision of Phase 1 Business Process Optimisation (BPO) Services and at the discretion of Council, KPMG to deliver all or part of Phase 2 activities under the BPO project. This engagement enables Council to deliver on its vision of the Customer Experience Improvement Strategy which places the customer at the centre of all Council services.

2. Policy implications and relevance to community plan and council plan

This tender process has been carried out in accordance with Council's obligations pursuant to section 186 of the Local Government Act 1989, the requirements of Council's Contracts and Tendering Probity Policy and Council's Procurement Policy.

This contract is aligned with Council's Customer Experience Improvement Strategy (CEIS):

Objective 1: Improving online information and services;
Objective 2: Aligning and improving customer channels;
Objective 3: Improving customer engagement;
Objective 4: Streamlining customer touch-points;
Objective 5: Developing a culture of evaluation and improvement; and
Objective 6: Simplifying and clarifying customer processes.

3. Background

The implementation of CEIS will transform the way Council works to meet changing community expectations in an increasingly digital world. To deliver this program effectively, BPO has been recognised as a critical enabler to delivering a more seamless customer experience and increasing quality and efficiency of Council services.

The foundation for the Boroondara Customer First program are business processes and ensuring continuous improvement, alignment between business areas, integration between channels and reducing duplication of activities. Consideration of business processes contributes to improving the customer experience and contributes to our objective for a whole of customer view where appropriate.

Current Council processes cannot easily be adapted to provide customer-centric delivery of services. Specifically, difficulties associated with the existing customer service approach (i.e. where a customer has to navigate Council's structure to access products and services on an interaction-by-interaction basis) prevent improvement of processes based on a customer-centric approach. These difficulties are historically based; the steps required to manage Council processes have multiplied and become increasingly complex.

The BPO activity will set Council up to deliver a suite of optimised services across all channels, and create the foundation for customer centric cross-organisational processes. Specifically, the work will involve the identification of obstacles which may include structure, systems or processes and provide advice as to the estimated investment Council will need to make in future years of the program.

4. Outline of key issues/options

Invitation to tender

On 13 December 2017, Council publicly released an open Request for Tender (RFT) through the local government tenders section of 'The Age' newspaper and on Council's website seeking suitably qualified organisations to undertake the BPO Services and/or Information Management Services.

At the time of the RFT closing, 4pm Wednesday 17 January 2018, Council received the following five (5) submissions for BPO Services:

- aaX Technologies Pty Ltd
- Deloitte Consulting Pty Ltd
- Design Moshpit Pty Ltd
- KPMG Australia
- Rubix Consulting Pty Ltd

Following the initial tender evaluation, the evaluation panel determined the Business Case which would serve to prioritise processes for optimisation and a Measurement and Reporting Framework, originally envisaged as part of Phase 2, would provide greater benefits across the broader project if delivered at the commencement of Phase 1.

To ensure the RFT open and transparent processes were not compromised, officers sought formal legal and probity advice which confirmed the Business Case and the Measurement and Reporting Framework could form part of Phase 1 on the provision that officers sought responses from all respondents who tendered a proposal for BPO services against the original RFT.

On 5 June 2018, a post Tender Addendum was issued to all five respondents who submitted for BPO services. The Addendum detailed the development of two additional products in Phase 1, a Business Case and a Measurement and Reporting Framework and an amendment to Product 6 (BPO Governance), original requirements of Phase 2.

All five tenderers indicated their interest in having the opportunity to review and consider the revised specification and submit their response by Monday 18 June 2018. At the time of closing, aaX Technologies Pty Ltd, Deloitte Consulting Pty Ltd and KPMG Australia submitted a response.

Scope of Work

The BPO suite of services will deliver a framework that will enable Council to analyse, improve, and automate business processes. The intent is end to end process design. This enables Council to deliver on the vision of the Customer Experience Improvement Strategy which places the customer at the centre of everything we do.

The work will include the identification of roadblocks which may include structure, systems or processes.

The specific BPO Services are as follows:

Phase 1 will deliver:

- A Business Case for Boroondara Customer First Program return on investment (Business Case). The Business Case will also articulate the processes that will provide Council with the greatest return on investment and/or customer experience improvement for prioritisation in Phase 2.
- A 'Measurement and Reporting Framework' for application across all projects in the Digital Transformation program and wider application across the organisation. The measurement and reporting framework will provide tools for the identification of anticipated benefits and associated calculations to determine realisation of those benefits.
- BPO services for optimisation of Council's Payment Refund (Rates) process as a pilot process.

Phase 2 will deliver:

- BPO services for optimisation of processes. Processes will be prioritised for optimisation in alignment with the recommendations of the Business Case and Council will nominate processes to be delivered by the vendor.
- Services for the development of a Product and Services Catalogue for the nominated optimised processes.
- A 'Governance Framework' for BPO Services capturing stakeholder analysis, detailed scheduling including resourcing, timing, risks and dependencies, reporting and measurement and change management requirements.

5. Consultation/communication

No external community consultation has occurred in the preparation of this report.

6. Financial and resource implications

Council's 2017-18 full year March forecast provides \$384,000.00 for Phase 1 of this project in the BPO, Channel Management Strategy and Change Management account (Account Number 80918/51150). The cost to Council for Phase 1 after the return of the GST Tax Input Credits is \$379,251.00.

Phase 2 includes budget allocations over two years and includes \$600,000 (inclusive of \$100,000 contingency) in Council's 2018-19 Adopted Budget - Business Process Optimisation (Account Number. 80976/53010 and

80976/53011) and foreshadowed amount of \$600,000 in 2019-20 (inclusive of \$100,000 contingency) in Council's Long Term Financial Strategy.

7. Governance issues

No conflicts of interest or probity issues were identified during the conduct of this Request for Tender nor in the preparation of this report and it is compatible with the Human Rights Charter.

8. Social and environmental issues

No issues were identified.

9. Evaluation and review

The Tender Evaluation Panel recommends that Contract No. 2018/115A, Business Process Optimisation Services be awarded to KPMG Australia (ABN 51 194 660 183).

KPMG Australia were selected as the preferred tenderer based on their technical capability, approach and methodology, organisational capacity, understanding of the proposed services, excellent references and value for money proposal.

Additionally they reference the utilisation of KPMG's Cities Global Centre of Excellence, a platform for sharing best practices, knowledge and experience across municipal government which the panel considers to be a value added service.

Manager and Report officer: Jennifer Reid, Business Process Optimisation Lead