

**ADELAIDE HILLS COUNCIL  
ORDINARY COUNCIL MEETING  
Tuesday 23 January 2024  
CONFIDENTIAL AGENDA BUSINESS ITEM**

**Item:** 19.2

**Responsible Officer:** Jess Charlton  
Manager Libraries and Customer Service  
Community and Development

**Subject:** Contract for CRM System

**For:** Decision

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**1. Contract for CRM System – Exclusion of the Public**

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except:

- Chief Executive Officer, Greg Georgopoulos
- Director Environment & Infrastructure, David Waters
- Director Corporate Services, Terry Crackett
- Director Community & Development, Natalie Armstrong
- Manager Libraries and Customer Service, Jess Charlton
- Governance Support, Tracey Riddle (Kelledy Jones)
- Minute Secretary, Rebekah Lyons
- IT Support, Tom Portas

be excluded from attendance at the meeting for Agenda Item 19.2: (Contract for CRM System) in confidence.

The Council is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified above, be excluded to enable Council to consider the report at the meeting on the following grounds:

Section 90(3)(k) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item are tenders for the supply of goods, the provision of services or the carrying out of works the disclosure of which could reasonably be expected to prejudice the commercial position of the business who supplied the information by disclosing specific quotes and modelling by the tenderer.

Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

## 2. Contract for CRM System – Confidential Item

### SUMMARY

The purpose of this report is to seek Council approval to enter into licence and services contracts for the upgrade of the Customer Relationship Management (CRM) system. The CRM system upgrade is one of the strategic initiatives in the *2023-24 Annual Business Plan* with capital funding totalling \$760,000 allocated in 2023-24 and 2024-25.

An open tender process was undertaken in October 2023 with fifteen tender responses received. Tenders were evaluated on a number of criteria, including price, with Ennovative being selected by the Evaluation Panel as the preferred vendor. Ennovative is a vendor partner for the Salesforce product, and their tender submission proposed their expansion product 'CFSuite' in conjunction with the Salesforce CRM system.

Progressing with the preferred vendor will require contracts for the annual software licences and the professional services to configure and implement the system. As the combined value of these contracts may exceed \$1,000,000, which exceeds the CEO's delegation to enter contracts, in conjunction with another Director, this report seeks Council's approval to enter into the contracts required.

Capital funding for the implementation of the system is included in the 2023-24 and 2024-25 budgets. Operational costs for the annual licencing are not included in the *Long Term Financial Plan 2023-24* as the current system was procured on a different licencing model with upfront costs rather than ongoing licence fees. Thus this report also seeks approval to make necessary adjustments to the *Long Term Financial Plan* to recognise the ongoing costs of CRM licencing.

### RECOMMENDATION

#### Council resolves:

1. That the report be received and noted.
2. To enter into contracts with Salesforce and Ennovative for the provision of CRM system and CFSuite licences for a period of up to five years with a combined value of approximately \$975,000 (excluding GST).
3. To enter into a contract with Ennovative for the provision of services to implement the Salesforce and CFSuite products for an initial period of two years and a maximum value of \$550,000 (excluding GST).
4. To make any necessary changes to the *Long Term Financial Plan* to recognise the ongoing operational costs of the Salesforce and Ennovative licences.
5. To authorise the CEO to sign all necessary documents to give effect to this resolution.

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### 1. BACKGROUND

The current Customer Relationship Management (CRM) system, Microsoft Dynamics, has operated for over ten years, having been introduced in 2012 with the latest significant upgrade deployed in 2017. The system is nearing its life expectancy with extended support

ceasing in January 2026 and no security updates being available after that date. In addition to the increasing levels of risk as time progresses (including data breaches), configuration of the system requires ongoing code amendments using external consultants.

The administration explored the complexity and cost to migrate to the current fully supported version of Microsoft Dynamics 365. This revealed that the required effort and resources would be significant and would also require moving to a subscription-based licencing model with substantial ongoing costs. In addition, more flexible and modern CRMs have come on the market that enable the kind of digital self-service that customers expect, including form functionality, automated workflows and configuration through graphical user interfaces (as opposed to code). Thus, a project to replace CRM was initiated, including procurement via tender, with indicative costs included in the *2023-24 Annual Business Plan (ABP)*.

An open tender process has been undertaken and a preferred vendor selected for the new system. This will require separate contracts for the annual software licences and the professional services to configure and implement the system. While the CEO has the delegation (with another Director) to enter into contracts of up to \$1,000,000, the combined total of the contracts may exceed this amount, thus this report seeks Council's approval to enter into the contracts required.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

#### *Strategic Plan 2020-24 – A brighter future*

Goal	A progressive Organisation
Objective O2	Our customers find it easier to interact and do business with Council and have an improved customer experience
Priority O2.1	Develop our digital channels to better meet customer's current and future needs
Priority O2.2	Modernise our services and enhance the customer experience by making service delivery faster, more convenient and more proactive
Goal	A progressive Organisation
Objective O6	Technology and innovation is utilised to better meet our community's expectations and deliver value for money
Priority O6.2	Utilise technology to enable more evidence based and efficient delivery of services to the community
Priority O6.3	Provide more resilient business systems by utilizing cloud technologies where appropriate

Implementing a new CRM system aligns with several priorities in the Strategic Plan 2020-24. A contemporary CRM is fundamental to improving the customer experience, by enabling delivery of more services online, providing a '360' degree view of the customer with enhanced integration with other systems and by increasing efficiency through automating processes and customer responses. It also aligns with technology priorities by providing a cloud-based system with in-built data security methods that is easier to customise and configure with internal resources.

Council's *Procurement Policy (GOV-08)* details the required conduct for procurement activities associated with the acquisition of goods, works or services. This includes the procurement methods to be used according to the value of the purchase and details that Council will call for tenders where the expenditure exceeds \$100,000 over the life of the contract.

➤ **Legal Implications**

Section 49 of the *Local Government Act 1999* (the Act) sets out the legislative requirements in relation to contracts and tender policies. Council must have procurement policies that, among other things, identify when tenders for the provision of services will be conducted, provide a fair and transparent process, and be directed towards obtaining value in the expenditure of public money.

➤ **Risk Management Implications**

Procuring and implementing a new CRM system will assist in mitigating the risk of:

*A lack of an effective CRM system leading to the inability to deliver services, including customer enquiry and request management.*

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	High (4C)	Medium

Entering into a contract for a new CRM system is an additional mitigation that will assist meeting the target risk rating. The current residual risk rating remains high as the existing control (having a CRM system to manage enquiries, requests and track customer interactions) is considered marginally effective, as vendor support for the current system will cease in January 2026.

➤ **Financial and Resource Implications**

Capital Budget

In the 2023-24 ABP, Council approved \$640,000 in capital funding for upgrading the CRM System, with \$300,000 allocated in 2023-34 and \$340,000 amount in 2024-25. This is in addition to existing capital funding of \$120,00 allocated to the CRM Upgrade and carried forward to 2023-24. Thus a total of \$760,000 has been allocated for the project in the capital budget across 2023-24 and 2024-25.

The cost of implementing the preferred vendor product is estimated to be \$294,000 for the Essential Build phase (first year) and \$210,000 for Advanced Execution (second year). Thus approximately \$504,000 of the capital budget of \$760,000 will be apportioned to implementation services. The remaining amount will fund the additional project resources required to support this significant technology project.

The preferred vendor has provided a quote for implementation based on the requirements requested. The price for some of the features, particularly those in the Advanced Execution, is based on the current scope and understanding of the effort required to complete the work. For example, allowing 22 days of professional services to implement the facilities booking feature where the community can book and pay for meeting rooms, sporting or other facilities online. It should be noted that there is a risk that implementation costs may

increase, should configuration – including integration with other systems – take longer or be more complicated than expected. This report recommends that the Council enter into a contract with the preferred vendor for the provision of services up to a maximum of \$550,000 which provides flexibility should the scope change or the costs increase beyond the quoted price.

#### Operational Budget

The current CRM platform was purchased with perpetual licencing with no ongoing operating costs but is no longer an option to procure licencing of this nature. Software as a Service (SaaS) is the predominant licencing model where users pay a recurrent licence fee for access to the software. In return, one of the benefits of SaaS is that the software is automatically updated and maintained with the latest features and security enhancements.

The indicative ongoing costs for the new system are \$125,000 to \$155,000 per year for the licencing required for the Essential Build features. A range is given as the administration is currently in negotiations with the preferred vendor, which includes the number of licences and the level of ongoing system support required.

There are additional licencing costs of approximately \$50,000 per year to enable the Advanced Execution features, such as online facility bookings, enabling all payments through the customer portal and 'live chat' via the website. Thus the total ongoing costs likely from 2024-25 are \$175,000 to \$205,000 per year.

The likely contract term for the Salesforce and Ennovative software licences is five years with a combined value of approximately \$975,000 over that period, with the Salesforce licences representing the majority of the costs. As a new licence contract will need to be negotiated with the vendor at the end of the five-year period, Council staff are seeking to incorporate provisions in the contract that would limit any price increases to a fixed percentage.

Should the Council resolve to enter a licence agreement with the preferred vendor, the *Long Term Financial Plan* will need to be adjusted to allocate sufficient ongoing budget for the annual licence costs.

#### Resource Implications

Project and Change Management activities will be largely resourced with existing internal resources with consultants used to support high-level senior project and change management tasks as needed. Some additional resources are required to support this project and the broader suite of Digital Transformation projects across the organisation. Business analyst skills are required to ensure the software meets business needs, for example through process modelling, data analysis and user acceptance testing. This will be funded through the capital budget for the CRM Upgrade as described above and from the broader Information Technology capital budget as the position will support multiple projects.

#### ➤ **Customer Service and Community/Cultural Implications**

The new CRM Project is aimed at improving customer satisfaction and making it easier to access services from Council. The project objectives include:

- Improving the customer experience by streamlining customer query management through automated workflows and customer responses
- Expanding the range of services that can be accessed online, to meet customer needs now and in the future

- Enabling access to the system from phones and tablets so staff can respond to and resolve requests while in the field
- Improved integration with other business systems to provide a more inclusive ‘360 degree’ view of the customer so that staff can better respond to enquiries and requests

➤ **Sustainability Implications**

The tender for the new CRM system requested vendors to detail their compliance with the International Standard for Sustainable Procurement ISO 20400, any certification details and the following information as applicable:

- Carbon footprint
- Sustainability of supply chain
- Practices to minimise waste
- Percentage of locally sourced materials
- Estimated lifespan of materials used
- End of life panning for materials used
- Inclusion policy regarding equal opportunity measures for employment in their organisation

Limited information was provided by the vendors, which was anticipated, given the tender focuses on software solutions as opposed to the procurement of physical items.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

*Council Committees:* Not applicable

*Council Workshops:* A workshop was held on 12 December 2023 at which Council Members were given the opportunity to learn more about the CRM Project, the tender process and preferred vendor.

*Advisory Groups:* Not applicable

*External Agencies:* Not applicable

*Community:* Not applicable

➤ **Additional Analysis**

To ensure the best value for the community, a request for tender approach was undertaken which ensured supplier competition and priced proposals able to meet Council’s timeline. Local Government Association Procurement were engaged to provide procurement support services including preparing tender documentation, issuing of tender documents, receipting tender responses, conducting and documenting initial conformance checks and providing advice to the Evaluation Panel. The tender was published on Tenders SA and open for three and a half weeks in October 2023.

A total of fifteen tenders were received which is considered a large volume of responses for a project of this type. Tenders were assessed by the Evaluation Panel (the Panel) and scored on agreed qualitative criteria with weighting allocating accordingly:

- Organisation Structure, Facilities and Resources (10%)
- Experience (10%)
- Ability to meet requirements (30%)
- Schedule for delivery (10%)
- Ongoing support (10%)
- Warranty (5%)
- Price (25%) – noting that prices were allocated a point score based on where they sat within the range of tendered prices for licence and implementation costs.

The Panel shortlisted two vendors to proceed to the next stage. This included clarification questions, reference checks and a product demonstration illustrating how the systems performed in several example scenarios, allowing Council staff to assess their usability and functionality. Following these additional steps, the Panel updated scores for the two shortlisted vendors, notably for the organisation structure, experience and schedule for delivery criteria.

The outcome at the end of the evaluation was that Ennovative was selected as the preferred vendor for the CRM system. Ennovative received the highest score with the following supporting rationale:

- The tender response showed outstanding compliance and capability with the requirements and in understanding and delivering on Council's objectives and vision
- The response demonstrated a strong proposed project methodology, project schedule and a well-resourced and experienced project team
- Ennovative have significant experience in South Australian local government CRM implementation
- The Panel considered their product demonstration to be highly persuasive and best demonstrated the requested end-to-end workflows
- The software user experience was considered more contemporary and intuitive by the Panel

The other shortlisted vendor provided a strong response with detailed answers and a competitive price. The Panel agreed that this vendor would be able to deliver the CRM project to an acceptable standard but determined this was a riskier option for the following reasons:

- The CRM user experience appeared to be less intuitive and easy to use in comparison to Ennovative/Salesforce
- The quoted price was based on a number of assumptions regarding project delivery that indicated they had a less comprehensive understanding of Council's objectives and requirements
- The vendor has limited experience implementing a CRM in South Australian local government

A tender evaluation summary is included in **Appendix 1**. Due to commercial in confidence, tenderers have been de-identified in **Appendix 1**.

Ennovative is a vendor partner for Salesforce which means they are a third-party entity that collaborates with the software vendor to offer complementary solutions for end-users of the

software. Their recommended solution for Council was their product “CFSuite” which is a custom expansion product designed for South Australian local government, to be used in conjunction with the Salesforce product. Salesforce is a large player in the Software as a Service (SaaS) market and consistently ranks as one of the top CRM platforms globally. Several other local government entities have successfully implemented the Salesforce/CFSuite solution, including the City of Tea Tree Gully, City of Marion and City of Salisbury.

This solution will require Council to enter the following contracts:

- A software licence agreement with Salesforce for their CRM platform
- A software licence agreement with Ennovative for their CFSuite product
- A services agreement with Ennovative for professional services to configure and implement the Salesforce and CFSuite products.

### **3. OPTIONS**

Council has the following options:

- I. Enter into a contract with Ennovative and Salesforce for the provision of software licences and implementation services, recognising a combined contract value over a five year term of approximately \$1,525,00 (Recommended)
- II. Enter into a contract with a different vendor from the tender responses. One other vendor was shortlisted and the Panel determined they would be able to deliver the project to an acceptable standard. This option is not recommended as the Panel were of the view this was a riskier option with less change of successfully implementing a CRM that met all of Council’s objectives and requirements. (Not Recommended)
- III. Do not enter into a contract for the provision of a new CRM. This option is not recommended as support for the current system will cease in January 2026 and a new system is required to ensure delivery of services to the community with appropriate security measures in place to prevent data breaches. (Not Recommended)

### **4. APPENDICES**

- (1) Tender Evaluation Summary



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# **Appendix 1**

*Tender Evaluation Summary*

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**CRM Upgrade Tender Evaluation Summary**

October 2023

Evaluation Criteria	Organisation Structure, Facilities and Resources	Experience	Functional and Non-Functional Requirements	Schedule for Delivery	Warranty	Ongoing support and maintenance	Qualitative Subtotal	Price			Total
								<i>Sum of Essential Build implementation costs, plus three years licensing</i>			
Weighting (%)	10	10	30	10	5	10		25			100
	Weighted Panel Score	Weighted Panel Score	Weighted Panel Score	Weighted Panel Score	Weighted Panel Score	Weighted Panel Score	Subtotal	Price (\$)	Point Score	Weighted Price Score	Total Score
<b>Tenderer</b>											
Vendor	3.0	2.0	13.7	2	0.0	2.0	22.7	N/A			<b>22.7</b>
Vendor	3.0	3.0	19.7	4	0.0	2.3	31.7	\$ 578,791.00	10.7	26.7	<b>58.4</b>
Vendor	5.3	4.7	21.7	6	0.0	5.7	43.0	\$ 1,366,398.00	4.8	11.9	<b>55.0</b>
Vendor	7.0	7.0	24.6	7	0.0	7.3	52.9	\$ 411,000.00	11.9	29.8	<b>82.7</b>
Vendor	4.3	4.0	13.9	5	0.0	4.3	31.6	\$ 4,368,153.00	-17.7	-44.2	<b>-12.7</b>
Vendor	4.7	4.3	18.8	5	0.0	4.7	37.5	\$ 2,112,568.00	-0.8	-2.0	<b>35.4</b>
Ennovative (Salesforce)	8.0	9.0	27.4	9	1.5	7.7	62.6	\$ 859,191.00	8.6	21.4	<b>84.0</b>
Vendor	7.0	7.0	23.5	6	0.0	7.0	50.5	\$ 1,212,410.00	5.9	14.8	<b>65.3</b>
Vendor	3.3	3.0	9.2	3	0.0	2.3	21.2	\$ 795,504.00	9.0	22.6	<b>43.8</b>
Vendor	1.3	1.0	7.5	2	0.0	1.0	12.8	\$ 737,990.00	9.5	23.7	<b>36.5</b>
Vendor	5.0	4.3	15.7	7	0.5	6.3	38.5	\$ 1,583,698.00	3.1	7.9	<b>46.4</b>
Vendor	6.0	6.7	22.4	7	1.5	6.3	50.2	\$ 1,167,400.00	6.3	15.7	<b>65.9</b>
Vendor	5.3	5.3	18.2	5	1.5	5.7	41.4	\$ 1,099,800.00	6.8	16.9	<b>58.3</b>
Vendor	5.3	4.3	20.2	6	0.0	6.3	42.5	\$ 943,298.00	7.9	19.8	<b>62.4</b>
Vendor	7.0	6.7	17.9	6	1.5	5.7	44.4	\$ 1,466,145.00	4.0	10.1	<b>54.5</b>

**Price Score Calculation**

The following calculation has been used to convert a group of numerical prices into an objective score. The full population of prices is referenced, by calculating by how much each vendor's price differs from the average (above average are negatives, below average are positive). This is divided by the average to determine the percentage deviation from the average. This is then multiplied by the maximum score (10) to reflect the scoring range

**3. Contract for CRM System – Duration of Confidentiality**

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 19.2 in confidence under sections 90(2) and 90(3)(k) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* to retain the Items in confidence as detailed in the Duration of Confidentiality Table below:

<b>Item</b>	<b>Duration of Confidentiality NB: Item to be reviewed every 12 months if not released</b>
Report	Until Contracts are signed, but not longer than 12 months
Related Attachments	Until Contracts are signed, but not longer than 12 months
Minutes	Until Contracts are signed, but not longer than 12 months
Other	Until Contracts are signed, but not longer than 12 months

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Council delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.