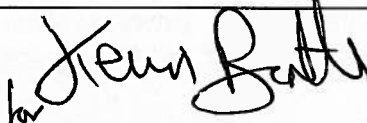


Haringey Council

Report for:	Cabinet 9th July 2013	Item Number:	
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Title:	SAP Managed Service Provider - Award of Contract
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Report Authorised by:	 for Julie Parker Director of Corporate Resources	ASSISTANT DIRECTOR
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Lead Officer:	Kevin Bartle Assistant Director, Finance
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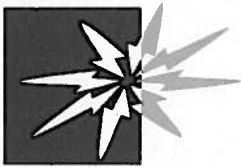
Ward(s) affected: None	Report for Key Decisions: Key
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1. Describe the issue under consideration

- 1.1 The Council has run a Competitive Dialogue procurement process, under the Public Contract Regulations 2006 OJEU procedure, to secure a contract for a managed service for the Council's SAP system.
- 1.2 This has been a joint procurement process with London Borough of Waltham Forest (LB Waltham Forest) to secure separate contracts with the same Bidder, utilising the competitive position to secure value for money.
- 1.3 A preferred Bidder has been identified and this report will outline the process undertaken and request approval to award the contract.

2. Cabinet Member introduction

- 2.1 The award of this contract will secure significant on-going savings on the Council's back-office costs and help us to continue to keep down Council Tax. Over a 10 year period, an estimated £4.6m of on-going revenue costs will be saved.



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- 2.2 I am confident that this contract represents good value for money for the Council. I have ensured that the supplier has been carefully selected through a competitive dialogue tender process.
- 2.3 On that basis, I recommend to Cabinet the award of the contract as set out in this report.

3. Recommendations

- 3.1 That the Cabinet note the results of the procurement process and in particular the evaluation summary set out in Paragraph 1.1 in Part B, Exempt, of this report.
- 3.2 The contract will be for an initial period of 6 years with options to extend for 2 further periods of 2 years, making a potential total of 10 years.
- 3.3 That the Cabinet award the contract for a managed service for the Council's SAP system to HCL Axon Ltd at a cost for 6 years of £5,900,045 and a maximum cost over the full 10 years (including the options to extend) of £8,289,878.
- 3.4 That this award is subject to the London Borough of Waltham Forest also approving the recommended award (as the procurement process sought one provider for both Boroughs).

4. Alternative options considered

- 4.1 The expiry of the current managed service contract has meant that a procurement process was necessary.
- 4.2 To "do nothing" was not a viable option.
- 4.3 The option of procuring solely for Haringey was considered but not expected to provide better Value for Money.
- 4.4 It was agreed early in the process that the Council would procure a replacement contract jointly with LB Waltham Forest – please refer to Procurement Committee report dated 28th July 2011 entitled Procurement Approach for SAP Managed Service.

5. Background information

- 5.1 The Council currently uses SAP as its enterprise wide system for Finance, Procurement and HR.
- 5.2 The original managed service contract was for a 10 year period, with an extension agreed by Cabinet Procurement Committee in January 2012, to



facilitate a joint procurement with LB Waltham Forest. Please refer to the report entitled Extension of SAP Managed Service Contract.

5.3 The Council holds an enterprise license agreement for the SAP system.

5.4 The new managed service contract will provide:

- Technical platform refresh, for an infrastructure that is coming to end of life.
- Modular upgrades for those modules that are out of mainstream support. These include:
 - Supplier Relationship Management (SRM), the Council's solution for on-line purchasing and Contract Management.
 - Business Warehouse (BW), the reporting solution for SAP.
 - Web Based Portal, SAP online portal for access to SAP applications.
- Further support on these systems, if not upgraded, will incur additional cost.
- Implementation of a SAP Property solution - integrated to the Finance module, this will remove the duplication and re-keying of data and with this will reduce the need for reconciliation between data sets; thus saving time and money. There are further efficiencies in the reduction and removal of the manual effort required for data aggregation and cross referencing for reporting.
- Reduced hosting and support costs.

5.5 This procurement also includes provision of a bureau service for e-invoicing. The aim is to transform the current invoicing process, that is reliant on paper documents received from suppliers and transported around the borough, and manual data entry to a solution that will drive efficiencies by providing:

- One single point of entry into the Council for all invoices
- Electronic receipt of document
- Paper free authorisation where required,
- Automated data entry, with full visibility of all invoices at all stages of the process.
- The ability to keep track of all invoices at all stages in the process.

6. Procurement Process

6.1 The London Borough of Haringey (Lead) and the London Borough of Waltham Forest undertook a Competitive Dialogue procurement exercise for a replacement SAP Managed Service.

6.2 Business Requirements and contract documentation were drafted together with related evaluation criteria and methodology which set out the outcomes sought by both Boroughs. The evaluation process and outcomes were



developed in consultation with users and the Heads of Procurement from both Boroughs, and were approved by a joint SAP Programme Board.

- 6.3 An OJEU notice was published which set out the following contracting options:

(a) A joint contract involving both participating authorities sharing a common Local Government solution on a single instance multi-tenanted SAP platform;

b) Separate contracts for the participating authorities for provision of a Local Government solution or of the relevant participating authority's current SAP solution in either case on a standalone SAP platform with each participating authority reserving the option of not awarding a contract.

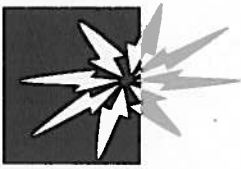
The opportunity was also posted on the Council's procurement portal – CompeteFor - on the 12th November 2011 to invite expressions of interest from providers to complete a Pre Qualification Questionnaire (PQQ).

- 6.4 The PQQ Stage closed on the 12th December 2011. At the PQQ stage we received 13 responses, 6 companies were subsequently shortlisted. A "Plenary Session" day was held on the 2nd February 2012 to provide bidders with background information on the project.
- 6.5 The Competitive Dialogue Process opened on the 29th February 2012. The same Evaluation Criteria were used throughout the Competitive Dialogue process. The detailed evaluation criteria are set out in Appendix 1 to Part B (Exempt) of report.

High Level Criteria

Category	Percentage Value
Commercial	30%
Business Requirement	60%
Legal	10%
Total score	100%

- 6.6 Bidders were invited to submit their high level solutions through Delta Electronic Tendering System on the 28th March 2012. The submissions were evaluated using the evaluation criteria identified in paragraph 6.5. At this stage, 3 bidders chose to withdraw from the process.
- 6.7 A schedule of dialogue sessions was organised with the remaining three bidders, HCL Axon, CGI UK Ltd (formerly Logica UK Ltd) and Capita, covering topics and demonstrations of their detailed solutions. Further updates were made to the requirements following the outcomes from these initial dialogue sessions and Bidders were invited to submit Indicative Bids.



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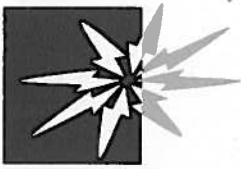
- 6.8 All bids were continually assessed by experts from the Business, Legal and Commercial areas but no formal evaluation was carried out during the dialogue stage.
- 6.9 The SAP Programme Board reviewed progress and the indicative bids submitted. The Board agreed, in December 2012, that of the original contracting options considered, they would only consider bids for a standalone “As-Is” solution – a traditional managed service – rather than a shared platform and service approach. At this stage, one of the bidders, Capita, withdrew leaving 2 bidders in the process.
- 6.10 The Authorities and the Bidders entered into further dialogues on the Bidders’ “As-Is” solutions and continued until the Authorities were satisfied that the Bidders’ solutions were capable of meeting the Authorities’ needs.
- 6.11 The SAP Programme Board then agreed to close dialogue on the 12th April 2013 and approved the issuing of the Invitation to Submit Final Tenders (ISFT).
- 6.12 The 2 remaining Bidders, the Council’s existing supplier CGI UK and HCL Axon, were then sent Invitations to Submit Final Tenders (ISFT).
- 6.13 On 13 May 2013 both bidders submitted bids based on the options requested by the boroughs and they were also permitted to submit variant tenders as long as these were within the scope of the procurement. The options requested by Haringey were:
- Mandatory Standard Bid – our current as-is system with upgrades to the technical platform and the modules with the inclusion of a new Property module;
 - Mandatory Variant Bid – as per the Standard but including an e-invoicing solution.

The options requested by Waltham Forest were:

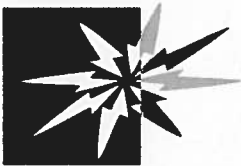
- Mandatory Standard Bid Option 1 – the current as-is system with upgrades to the technical platform and the modules with additional wide enhancements to scope.
- Mandatory Standard Bid Option 2 – as Option 1 but with the inclusion of a further module known as Business Planning and Consolidation (BPC).
- Mandatory Variant Bid – the current As-Is system with upgrades to the technical platform and the modules.

Both bidders also submitted Variant bids of their own (Discretionary Variants) as shown in paragraph 6.14 below.

- 6.14 A summary of the bids received and the action taken is set out in the table below.



Bidder	Authority	Type	Action
CGI	LBH	Mandatory Standard Bid (As-Is)	Evaluated – see Part B (Exempt)
	LBH	Mandatory Variant Bid (As-Is + E-Invoicing)	Evaluated – see Part B (Exempt)
	LBH	Discretionary Variant Bid (Fixed 10 years contract with minor price discount)	This bid was considered but rejected as it was not in the Authorities' best interests.
	LBWF	Mandatory Variant Bid (As-Is)	Evaluated – see Part B (Exempt)
	LBWF	Mandatory Standard Bid Option 1 (Enhanced As-Is Excluding BPC)	The difference in affordability was negligible compared to the Mandatory Standard Bid Option 2 below.
	LBWF	Mandatory Standard Bid Option 2 (Enhanced As-Is Including BPC)	Evaluated – see Part B (Exempt)
	LBWF	Discretionary Variant Bid (Fixed 10 year contract with minor price discount)	This bid was considered but rejected as it was not in the Authorities' best interests.
HCL	LBH	Mandatory Standard Bid (As-Is)	Evaluated – see Part B (Exempt)
	LBH	Mandatory Variant Bid (As-Is + E-Invoicing)	Evaluated – see Part B (Exempt)
	LBH	Discretionary Variant Bid – Shared Platform and Solution	This bid was considered but rejected as it was contrary to the Authorities' indication that they no longer wished to pursue a shared option.
	LBWF	Mandatory Variant Bid (As-Is)	Evaluated – see Part B (Exempt)
	LBWF	Mandatory Standard Bid Option 1 (As-Is Excluding BPC)	The difference in affordability was negligible compared to the Mandatory Standard Bid Option 2 below
	LBWF	Mandatory Standard Bid Option 2 (As-Is Including BPC)	Evaluated – see Part B (Exempt)
	LBWF	Discretionary Variant Bid – Shared Platform and Solution	This bid was considered but rejected as it was contrary to the Authorities' indication that they no longer wished to pursue a shared option.



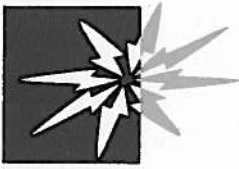
- 6.15 The details of the evaluation process are shown in Part B, Exempt report.
- 6.16 There is no impact of TUPE for either the incumbent Supplier or the Authorities.

7. Contract Monitoring

- 7.1 The form of contract is based on a Model ICT Services contract template prepared by the Government Procurement Service.
- 7.2 This incorporates Service Management clauses which require the successful bidder to report on a number of Key Performance Indicators monthly and follow this up with a Service Review Meeting with key Council officers.
- 7.3 The contract includes a comprehensive Service Level Agreement.

8. Comments of the Chief Finance Officer and financial implications

- 8.1 This report is recommending agreement for the award of the SAP managed service contract, being carried out under a joint procurement approach with LB Waltham Forest. It is for 6 years with 2 options to extend for a further 2 years each, making a potential total of 10 years.
- 8.2 The average annual cost under the proposed maximum life of the contract (10 years) is £625k. The annual cost over the minimum 6 years is slightly more at £643k as the costs have been profiled across the years. However, given the nature of the contract and effort required by both the Council and bidders in re-tendering it is felt likely that the contract will run for the full 10 years assuming quality of service is maintained.
- 8.3 Although the proposed new service is essentially based on a like for like SAP product, the recommendation to Members is to take the opportunity to include both a new e-invoicing solution and the SAP Property module, the latter which is a replacement of an existing stand alone system. Both of these enhancements will assist with the delivery of pre-agreed savings and will further integrate Council processes.
- 8.4 On a like for like basis, the saving against the current budget provision is £444k, however this increases to £462k once the Property module is operational and the existing contract for this service ceases. This saving should be achievable in full from April 2014/15 and is higher than the indicative figure included in the June Cabinet report setting out the new 14/15 savings package. The additional sum will contribute to future savings



the Council will need to make as part of its medium term financial plan (MTFP) for 2014/15+.

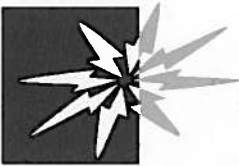
- 8.5 The annual contract cost excludes any assumptions on indexation as the council manages inflationary pressures through its MTFP.
- 8.6 There will be one off transitional / development costs as a result of the recommended award of contract. Whilst the bidder has provided fixed costs, other costs, including internal officer time required to test and implement are estimated at this time. Funding of £2.3m has already been identified and officers will work to minimise the other costs and keep within this funding envelope. This will be monitored closely as part of the Council's regular budget monitoring regime.

9. Head of Legal Services and legal implications

- 9.1 The services to which this report relates are Part A services for the purposes of the Public Contract Regulations 2006. As a result, it was necessary to advertise the tender of the services in the Official Journal of the European Union (OJEU).
- 9.2 Contract Standing Orders (CSOs) also apply and the services have therefore been tendered in accordance with CSOs. The Competitive Dialogue procedure provided for in CSO 9.01(d) was followed. This procedure is used in complex procurements where, as in this case, the contracting authority is unable to adequately specify at the outset the technical, legal and/or financial requirements of the project under tender.
- 9.3 As the value of the services tendered were well in excess of £250,000, the award requires the approval of the Cabinet in accordance with CSO 9.07.1(d).
- 9.4 Given that the contracts are also valued over £500,000, the decision to award them is a key decision and is required to be included in the Council's Forward Plan (in accordance with CSO 9.07.1 (e)). This has been done.
- 9.5 The Head of Legal Services confirms that there is no legal reason preventing Cabinet from approving the recommendations in paragraph 3 of this report.

10. Equalities and Community Cohesion Comments

- 10.1 Haringey will be running the current As-Is SAP solution and although there will be an introduction of new capability, there will be minimum business process change and minimum impact on organisational resources. The



upgrade will deliver cost savings and enhance efficiencies and customer benefit through the introduction of standardised best practice. It will have no adverse effects on services nor on employment and therefore will not impact adversely on persons or groups who share any of the characteristics protected by section 4 of the Equality Act 2010 nor has it any implications for any aspect of the Council's public sector equality duty.

11. Head of Procurement Comments

- 11.1 The Competitive Dialogue procedure was chosen because of the complex nature of the services being procured; which were further complicated this being a joint procurement with LB Waltham Forest. Whilst both authorities use SAP, they are on different release versions of software and operate different functionality and processes.
- 11.2 At the outset a good response was received from the market and the number of bidders was gradually reduced at each stage of the process, until Final Tenders were invited from the 2 remaining bidders.
- 11.3 This has been an intensely competitive process over a 14 month period and both the remaining bidders have demonstrated a very high degree of commitment to understanding the Councils business requirements and responding accordingly with competitive bids.
- 11.4 It is appropriate that I record my thanks to officers in both Haringey and LB Waltham Forest for their professional and dedicated efforts throughout this prolonged project. These officers include the core procurement team as well as from Finance, Legal, HR, Procurement, IT, SAP support and Accounts.
- 11.5 The nature of a Competitive Dialogue process is that all aspects of business requirements are discussed in depth with bidders and this results in a gradual convergence of potential solutions and prices.
- 11.6 The recommendations in this report demonstrate Value for Money and significant savings to Haringey Council.

12. Policy Implication

- 12.1 Approval of this report has no direct impact on Council policy.

13. Reasons for Decision

- 13.1 The Council needs to replace the managed service contract for its SAP system.



Haringey Council

- 13.2 The evaluation carried out at the end of the procurement, managed under the OJEU process, indicates the preferred bidder recommended in this report.
- 13.3 The evaluation and the procurement exercise ensures that the Most Economically Advantageous Tender is selected.

14. Use of Appendices

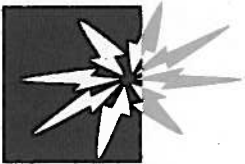
Not applicable.

15. Local Government (Access to Information) Act 1985

- 15.1 This report contains exempt and non-exempt information. Exempt information is contained in Part B and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12 A of the Local Government Act 1972):
- 15.2 Information relating to financial or business affairs of any particular person (including the authority holding that information)

16. Background Papers

- 16.1 None applicable



Haringey Council

