

CABINET MEMBER SIGNING

Thursday, 30th March, 2023, 10.30 am

Councillor: Sarah Williams

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

3. SAP HOSTED MANAGED SERVICE CONTRACT RETROSPECTIVE APPROVAL TO EXTEND AND VARIATION (PAGES 1 - 4)

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Wednesday, 22 March 2023

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Report for: Cabinet Member Signing

Title: SAP Hosted Managed Service Contract retrospective approval to extend and variation

Report authorised by : Director of Culture, Strategy & Engagement – Jess Crowe

Lead Officer: Carla Villa, x3111, carla.villa@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 This report seeks approval from the Cabinet Member for Finance & Local Investment to vary and extend the SAP Hosted Managed Service Contract with Support Revolution Ltd., for a term of 1 year from the 1st June 2022 to the 31st May 23 as allowed under the GCloud 11 framework and to vary the contract to provide for an increased cost of up to £36,000.00 for increases in the hosting charges.
- 1.2 The contract will facilitate the continuation of critical SAP support and hosting for the Finance, Payroll, HR and Procurement systems.

2. Cabinet Member Introduction

- 2.1 In 2019 a contract was let for a SAP Hosted Managed Service for a term of 2+1+1 years. The current contract has become unviable under the current costs. This is partly because the provider's initial assumptions on the sizing of the Council's hosted footprint were incorrect. The position has been exacerbated by financial turbulence and the fall of the pound against the dollar as these factors have increased the hosting charges payable by the supplier, which are tied to the US dollar. This position is unsustainable for the supplier and therefore puts pressure on the supplier to recoup higher costs from the Council. A meeting has been held with Support Revolution to discuss the above issue and how to move forward with the current contract. The Council is also currently investigating what can be done to try and mitigate some of the costs that Support Revolution is incurring by looking at various options to reduce the amount of storage.

3. Recommendations

- 3.1 That the Cabinet Member for Finance and Local Investment approves, in accordance with Contract Standing Order 10.02.1b), the extension and variation to the contract with Support Revolution Ltd for a SAP hosted managed service for a period of one year (to 31st May 2023) at a cost of £266,908.00 and at an additional cost for the hosting of up to £36,000.00 to enable Support Revolution to recover losses incurred in the past year. The hosting costs are variable and the additional monthly cost is approx. £4,700.00 per month for the remaining 4 months of the year in addition to £17,100.00 already incurred by the supplier from June.

- 3.2 That the year 4 extension option should not be exercised and a new 3+1 year contract should instead be procured, which will allow the supplier to resize the environment to ensure costs are aligned and also allow the hosted managed service and licence support contracts to be made almost co-terminous which will make any re-procurement exercise easier to manage.

4. Reasons for decision

- 4.1 The initial 2-year term of the SAP managed service contract expired on 31st May 2022 but the Council has continued to use the service and has incurred costs during the initial extension period. It was believed that the original approval for a 2+1+1 contract along with approval for the overall financial cost for the four years provided authorisation for this continuation, however it has been clarified that a specific additional approval is needed to confirm authorisation for this continued use.
- 4.2 The original contract had not been sized correctly and had been running at a loss for Support Revolution over the last 3 years and with the turbulence in the market they find they are unable to sustain the business further without some adjustment to current arrangements. As a result, although there is still an option under the existing contract to do an extension contract for a further period of 1 year from 1st June 2023, the Council would need to extend the current contract or award a new contract on a basis that would address the sizing and cost issues being experienced by Support Revolution. The recommendation therefore is that this be done by procuring a new contract instead of extending the current one.
- 4.3 Although within the forecast four year costs, the 3-year costs with the proposed uplift to mitigate the supplier's losses now exceed the originally approved value for the three year term, therefore approval at Cabinet level is required.

5. Alternative options considered

- 5.1 Do Nothing – Support Revolution cannot continue to provide the service while absorbing the losses it is incurring on the hosted part of the service. Doing nothing is not a realistic option as this would mean that the Council would not have a Finance, Payroll, HR and procurement system.
- 5.2 Insource the hosting - the current in-house SAP support team would take on this specialist role. This would require expensive specialised SAP resources to be recruited that would not be fully used. The Council already has the SAP in-house team to manage most of the administration of the system – this contract is only for specialist SAP support. It is not an economically viable option to maintain these sorts of skills as part of the Council's Digital Services. The Council would also be required to procure the hardware and software which would come at an additional cost to run and maintain and the Council would then be unable to move to a new Support Revolution contract in the timeframe the Council has.

6. Background information

- 6.1 The current G-Cloud 11 contract for the SAP hosted managed service was awarded at Cabinet in 2019 and the service subsequently went live in June

2020. The authority was not made aware of losses the company had been absorbing since day one due to the incorrect sizing of the Council's hosted footprint until September last year when the exchange rate of the pound against the US dollar fell dramatically and the cost of hosting for Support Revolution practically doubled overnight. At this point the contract became unsustainable for Support Revolution and the Council met with Support Revolution to discuss how to move this forward. The Council has agreed with Support Revolution that there is nothing that can be done about their additional hosting costs in the previous years as the final accounts for those years have been closed. The Council can however look at the current year and at how to work together with Support Revolution to mitigate some of the increased costs being incurred going forward. A number of suggestions have been made that involve looking at making the development/test servers only available during business hours and looking at back up retention dates to reduce the size of space occupied and further meetings are taking place to do this. Another suggestion made is that rather than extend the contract into the optional year 4 that the Council should re-contract for a new managed service sized correctly to ensure that the Council is not hit again with any financial surprises.

7. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes'?

7.1 Objective c) We will maintain strong controls over delivery of our critical projects through our Medium-Term Financial Strategy

8. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

8.1 Finance

8.1.1 The £266,908 cost of extending the contract for SAP hosting and support services by one year will be funded from the existing provision for this contract within the Digital Services revenue contracts budget. The additional hosting cost of £36,000 can be contained within the wider contracts budget envelope.

8.2 Head of Legal and Governance

8.2.1 The Head of Legal and Governance has been consulted in the preparation of this report.

8.2.2 The contract extension and variation referred to in the recommendations at paragraph 3 are within the scope of the Public Contracts Regulations 2015 ("the Regulations"), in particular Regulation 72 which regulates modifications to contracts. The contract extension is permissible under Regulation 72(1)(a) as it is an optional extension specifically provided for in the original contract. The price variation/increase, though not originally envisaged, is permissible under Regulations 72(f)) and 72(5) which allow for modifications of this value to be made (ie. a value below the threshold above which services are to be tendered & below 10% of the original contract value) once, as in this instance, the modifications don't alter the overall nature of the contract.

8.2.3 Pursuant to Contract Standing Order 16.02 and Contract Standing Order 10.02.1(a), the Cabinet Member has authority to approve the extension referred to in the recommendations.

8.2.4 The Head of Legal and Governance (Monitoring Officer) sees no legal reasons preventing the Cabinet Member from approving the recommendations in the report.

8.3 Strategic Procurement:

8.3.1 Strategic Procurement note the retrospective request for the award of the contract extension option which was provisioned in the original decision taken by Cabinet to award a contract for the term of 2 years plus 2 x 1 year optional extensions.

8.3.2 CSO 10.02.1b) provides that the Cabinet may authorise an extension and variation to a contract subject to the provisions of the Public Contract Regulations and the variation is in compliance with the Regulations and the rules of the public procurement framework.

8.3.3 The recommendations in section 3 of this report are compliant with the Public contract Regulations.

8.3.4 Strategic Procurement support the recommendation of this report.

8.4 Equality

8.4.1 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

8.4.2 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

8.4.3 Ensuring the platform is fully accessible to support all users, including those with protected characteristics under the Equality Act, was an important part of the procurement process. The platform will not have implications for service delivery on groups with protected characteristics. As such, it is considered that this decision will have a neutral equalities impact.

9. Use of Appendices

N/A

10. Local Government (Access to Information) Act 1985

N/A