

Report for: Cabinet Member Signing

Title: Revised SAP Hosted Managed Service Contract extension/variation and award of new contract

Report

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

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Ward(s) affected: N/A

Report for Key/

Non Key Decision: Key Decision

1. Describe the issue under consideration

- 1.1 This reports firstly seeks revised approval for the extension and variation of the existing SAP hosted managed service contract with Support Revolution Ltd to correct the details of the required extension and variation for which approval was granted by Cabinet Member decision on 30th March 2023, as explained further in this report below.
- 1.2 The report also seeks approval for the award of a new contract to Support Revolution Ltd, for a term of 3 years with an option to extend for a further 1 year, by way of a call-off from the Crown Commercial Service's GCloud 13 framework to replace the existing contract on expiry of the extension for which the above revised approval is being sought. The new contract will facilitate the continuation of critical SAP hosting and support for the Finance, Payroll, HR and Procurement systems.
- 1.3 In 2019 a contract was let for the SAP managed service for a term of 2+1+1 years. The current contract has become unviable under the current costs due to the supplier's initial incorrect sizing of the Council's hosted footprint and hosting cost increases incurred by the supplier due to exchange rate fluctuations exacerbated by recent financial markets turbulence.
- 1.4 Support Revolution is still the most appropriate partner for SAP Hosting and Support. By issuing a new contract rather than extending the current one further, Support Revolution will be able to correct the errors of the past and manage the variable cost of hosting. Creating a new contract sooner at this point has the effect of almost co-termining both the SAP licence support and SAP managed service contracts making future contracts easier to procure. Support Revolution provide 3rd party support for both the SAP licence support and the hosted services contracts.

2. Recommendations

- 2.1 It is recommended that the Cabinet Member grants revised approval, under Contract Standing Order 10,02.1b), for the extension and variation of the

existing SAP hosted managed service contract with Support Revolution Ltd to correct the details of the extension and variation for which approval was already granted by Cabinet Member decision on 30th March 2023. The revised approval sought is:

firstly to confirm the extension of the contract beyond the expiry of the initial contract term on 15th December 2021 for 1½ yrs to 31st May 2023 at a cost of £400,362 instead of for 1 year from 1st June 2022 at a cost of £266,908 (as previously approved); and,

secondly (as per the previous approval) to confirm approval for an additional cost of £36,000 to enable Support Revolution Ltd to recover losses incurred over the 12 months from June 2022 till the expiry of the proposed contract extension on 31st May 2023.

- 2.2 It is recommended that the Cabinet Member approves, in accordance with Contract Standing Order 9.07.1d, the direct award to Support Revolution Ltd of a new contract for SAP hosting and support services for an initial 3-year term starting in June 2023 valued at £883,036.86 with an option to extend for a further one-year period valued at £294,345.62 with a total contract value of £1,177,382.48 over the maximum term of 4 years.

3. Reasons for decision

- 3.1 The current SAP managed service contract was awarded for an initial contract term of 2 years expiring 15th December 2021 with options to extend by up to 2 further periods of 12 months. Cabinet Member approval was sought and obtained on 30th March 2023 for the extension of the contract but the extension requested and granted was, through inadvertence, referred to as being for one year from 1st June 2022 when it should have been for 1½ years starting on 16th December 2021. The cost of the 1½ year extension is £400,362 and not the one-year value of £266,908 previously stated. The result of the revised extension now sought would still be that the contract would expire on 31st May 2023 but 3½ years after the start of the contract and not after 3 years as indicated in the report of 30th March 2023. It is necessary to confirm the correct details of the required extension to allow the contract variation to be implemented correctly.
- 3.2 Although the existing contract included options to extend for up to 2 full years down to December 2023, it is proposed not to take up the full 2-year extension but instead to only extend for 1½ years down to May 2023. This would then allow the current contract to be replaced from June 2023 with a new contract that will address the financial issues being experienced by Support Revolution relating to unsustainable hosting costs and put the contracted service on a sounder basis going forward.
- 3.3 The Council already has a satisfactory relationship with Support Revolution.
- 3.4 It is therefore proposed that a new SAP Managed Service contract should be awarded with a contract term which would better align with the renewal of the Council's SAP licence support contract rather than the two contracts ending 9 months apart. This alignment would enable the Council to have both of its SAP

contracts end almost at the same time. This will enable a smoother procurement process for one new contract to replace both of the current contracts if at some point this is required.

4. Alternative options considered

- 4.1 Do Nothing – not an option as Support Revolution cannot continue to absorb the losses it's incurring on the hosted part of the service and the contract would have to end leaving the Council with no hosting and support for its SAP systems. This is not a realistic option. This would mean that we would not have a Finance, Payroll, HR, and procurement system.
- 4.2 Insource the hosting - the current in-house SAP support team would be required to take on this specialist role. This would require expensive specialised SAP resources to be recruited that would not be fully used. It is not an economically viable option to maintain these sorts of skills as part of the Haringey Digital Services team. The Council would also be required to procure the hardware and software which would come at an additional cost to run, maintain and the Council would be unable to move to a new supplier in the timeframes available.
- 4.3 Go out to Tender rather than do a direct G-Cloud award – To do this would take a minimum of 18 months to 2 years to do. A full specification would be required and full migration of data. There are no plans to move away from SAP currently.

5. Background information

- 5.1 The current GCloud 11 contract was awarded at Cabinet in 2019 for the hosted managed service and subsequently went live in June 2020. The contract is for 2+1+1 and the initial contract term was due to expire on 15th December 2021. Although the contract has been allowed to continue since then, formal confirmation of approval for the extension and of the scope of the extension was outstanding. As a result, Cabinet Member approval was sought and obtained on 30th March 2023 for an extension. However this was inadvertently done on the basis that the initial 2-year term was due to expire not in December 2021 but on 31st May 2022 and an extension for 1 year down to 31st May 2023 was approved. This error flowed from not initially including the 6-month implementation period at the start of the contract in the calculation of the initial 2-year term. The error has since been picked up and revised approval for the extension is therefore being sought to correct the error as to the proper scope of the extension. Approval was also obtained on 30th March 2023 for a variation of the contract to allow for additional hosting costs of £36,000. The justification for this variation has not changed since the March approval for it and it is proposed that the approval already granted should be confirmed. It is noted however that the need to address the factors that caused the additional hosting costs buttress the case for only approving a contract extension to May 2023 in order to facilitate awarding a new contract sooner.
- 5.2 At this point the option therefore is either to confirm approval for taking up the optional extensions, as provided for by the initial contract award, for 2 full years beyond the initial 2-year term or to confirm a shorter extension period. It is

proposed to do the latter and confirm approval for an extension of 1½ years down to 31st May 2023 rather than for 2 years into December 2023. The proposed extension will allow a new hosted managed service contract to be awarded at this point which would align the termination date of that service with the SAP licence support contract.

5.3 In order to award the new hosted managed service contract, a search of the GCloud 13 framework (a Government framework where all supplier have pretended their services) was carried out which brought up 10 suppliers. Only Support Revolution is able to provide the service required. G-Cloud guidance stipulates that if only one framework supplier's service provision meets a procuring authority's requirements, the procuring authority can award a contract to the supplier without further competition.

5.4 The proposed supplier's service has been procured through a GCloud 13 Framework from Support Revolution under a direct award for a term of 3 years with an option to extend for a further 1 year, as allowed under the framework.

6. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes

6.1 Outcome 17: objective c) We will maintain strong controls over delivery of our critical projects through our Medium-Term Financial Strategy

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

7.1 Finance

7.1.1 The £400,362 cost of the contract extension and the additional £36,000 hosting cost under the proposed revision to the approval for extension and variation of the SAP hosting and support contract are funded and can be contained under existing budget provision as was the case for the proposals in the report approved on 30th March 2023.

7.1.2 The cost of the new four-year contract award for SAP hosting and support services, including the option to extend for one year, is £1,177,382 which represents an annual increase of 10% on the current contract which was agreed at a fixed price four years ago. The Digital Services contracts budget is insufficient to fully cover the increased cost of this new contract however an inflation provision has been included in the 23/24 corporate budgets to cover, among other things, contract inflation and currency fluctuations within Digital Services' contracts. This will be released to the Service at an appropriate point during the year to cover the budget shortfall

7.2 Procurement

7.2.1 For the same reasons given in support of the approval of the contract extension and variation sought and obtained on 30th March 2023, the revised extension and variation approval sought in section 2 of this report are compliant with the Public Contract Regulations and is supported.

- 7.2.2 With respect to the proposed award of a new contract, CSO 7.01b) permits the selection of a contractor from a public sector framework. A search and filter process has been undertaken in accordance with the framework selection process.
- 7.2.3 CSO 9.07.1d) permits all contracts valued at £500,000 or more to be awarded by the Cabinet.
- 7.2.4 Strategic Procurement support the recommendations in section 2 of this report.

7.3 Head of Legal & Governance

- 7.3.1 This report is proposing, firstly, revised approval for a contract extension and variation to update the approval granted by the Cabinet Member on 30th March 2023. The revised contract extension and variation now sought remain permissible under the Public Contract Regulations 2015 and the Council's Contract Standing Orders for the same reasons as explained in the legal comments on the report that was approved on the latter date.
- 7.3.2 This report is also recommending the award of a contract by way of a direct award call-off from the Crown Commercial Service's G-Cloud 13 framework agreement.
- 7.3.3 Under Contract Standing Order (CSO) 7.01(b) and Regulation 33 of the Public Contract Regulations 2015 the Council may award contracts called off under a framework established by another public sector body.
- 7.3.4 The G-Cloud framework agreement allows for the direct award of a contract without the need for a mini-competition in selecting the proposed contractor. Strategic Procurement has confirmed above that the selection process followed in this procurement from the G-Cloud framework was in accordance with the framework rules.
- 7.3.5 Under CSO 9.07.1(d), a contract valued at £500,000 or over may be awarded by Cabinet and under CSO 16.02 a Cabinet Member to whom the decision to make an award has been allocated by the Leader may award the contract in lieu of Cabinet.
- 7.3.6 The Head of Legal and Governance (Monitoring Officer) is not aware of any legal reason preventing the approval of the recommendations in paragraph 2 of this report.

7.4 Equality

- 7.4.1 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.

7.4.2 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.

7.4.3 Ensuring the platform is fully accessible to support all users was an important part of the procurement process.

8. Use of Appendices

N/A

9. Local Government (Access to Information) Act 1985

N/A