



Agenda item:

[No.]

Cabinet Procurement Committee

On 28th July 2011

Report Title. Procurement Approach for SAP Managed Service

Report authorised by **Julie Parker, Director of Corporate Resources**

Signed

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Wards(s) affected: **None**

Report for: **Key Decision**

1. Purpose of the report

1.1 To seek agreement to a joint procurement with the London Borough of Waltham Forest for a replacement managed service for the corporate SAP system, including the option of procuring separate managed services for each borough, utilising best practice processes which will enable future shared services.

1. Introduction by Cabinet Member (if necessary)

2.1 The Council is required to tender for a managed service for its SAP application on the expiry of the current contract.

2.2 The proposed approach of a joint procurement with the London Borough of Waltham Forest is in keeping with the Memorandum of Understanding between the Boroughs, supporting shared working and improved value for money.

2.3 The proposal includes the option for each Borough to procure a managed service on their own account should this prove to be the better option.

2.4 I therefore support the proposed approach to this procurement.

2. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 2.1 Value for Money by reducing IT platform costs and potential sharing of back office processes.
- 2.2 Greener Borough Strategy by reducing the IT hardware footprint utilising modern more energy efficient equipment.
- 2.3 Shared Service agenda by enabling common processes.
- 2.4 Haringey IT Strategy 2010-2013 and Memorandum of Understanding with Waltham Forest.

3. Recommendation

- 3.1 That Members agree the proposed approach for Haringey to undertake a joint procurement for a SAP managed service with Waltham Forest as detailed in this report with the option of procuring separate managed services for each borough if required.

4. Reason for recommendation(s)

- 4.1 The Council is required to tender for a replacement for the current managed service contract for the SAP system which expires in November 2012.
- 4.2 A joint approach to the market with Waltham Forest, and potentially other London Boroughs, will improve opportunities for value for money due to the potentially increased volume for Suppliers.
- 4.3 The potential to use a common version of SAP supported by best practice processes and shared hardware platform will enable shared services.

5. Other options considered

- 5.1 The Council can approach the market on its own account but this would restrict the potential for value for money and the potential for shared services.

6. Summary

- 6.1 SAP is the core IT system that supports the Council's Finance, Procurement, HR/Payroll and Customer Services functions – systems that support these types of functions are known in the market as Enterprise Resource Planning Systems (ERP Systems).
- 6.2 In 2001 London Borough of Haringey awarded a 10 year contract to Logica for the provision of a managed service and the implementation of SAP Financial, HR and

Procurement modules. The 10 year contract commenced from the point of 'go-live' in November 2002 with a contract end date of November 2012. The scope of the system has been extended since the original implementation to include Supplier Relationship Management for on-line purchasing, Contract Management, Customer Relationship Management, Asset Accounting and the provision of a managed service for the Council's cash collection.

6.3 The London Borough of Waltham Forest also use a SAP platform (providing similar modules and functionality) and also have a managed service contract with Logica which expires in February 2013.

6.4 A Pan London initiative is currently underway, sponsored by Capital Ambition, to create a series of shared ERP platforms across London based on agreed best practice business processes. One of the proposed ERP platforms is based on SAP (One-SAP project) and is aimed at the 7 London boroughs that use SAP now and potentially those London boroughs that do not currently have an ERP system and may wish to use SAP in the future. The perceived benefit of such an approach is the potential to reduce both IT costs (hardware and software) through a shared IT platform and enable further cost reductions through the sharing of back office functions.

6.5 Objectives and Scope

To procure, in conjunction with the London Borough of Waltham Forest, a replacement managed service for a shared SAP platform.

The SAP managed service to be procured will comprise as a minimum

- Hosting of the hardware and software
- Initial configuration, interface delivery, migration of data/reporting and any training of users required
- On-going support including updates to software and hardware.

6.6 The option for separate managed services for both boroughs will also be determined as part of the procurement exercise, in order to quantify the benefits of a joint approach and to provide a contingency should it not be practical to procure a cost effective shared SAP platform in the market.

6.7 The contract will be available to the 7 London boroughs that use SAP now and it is anticipated that it will be available to those London boroughs that do not currently have an ERP system and wish to use SAP in the future provided they confirm their interest before the OJEU notice is issued.

6.8 The SAP solution selected will utilise best practice processes that will drive efficiency and enable the future sharing of back office functions across Councils that use SAP (initially Haringey and Waltham Forest).

6.9 Benefits

The main benefits from a joint procurement of a SAP managed service are:

- Reduced cost of ownership through shared IT hardware, software and support
- Reduced procurement costs through consolidated purchasing of software licenses and software development

- Enables the future sharing of back office functions across Councils and the associated reductions in cost.

6.10 Approach

In view of the potential value of the tender, and the shared procurement approach, a notice will be issued for a full EU tender. The process will make use of a shortlisting approach to enable a competitive dialogue to be undertaken with a small number of suppliers. The use of competitive dialogue will enable the Council to establish the best way to satisfy our requirements.

6.11 It has been agreed with SAP that they will assist with this procurement acting as adviser and critical friend.

6.12 An indicative procurement timetable is set out in Appendix A.

6.13 In discussion with Waltham Forest it has been decided that Haringey will lead and manage the procurement exercise.

7. Chief Financial Officer Comments

7.1 This report is recommending agreement to take a joint procurement approach for the replacement SAP managed service. At this stage it is anticipated that the procurement will be with Waltham Forest but the resulting contract may potentially include a further number of London boroughs.

7.2 The joint procurement route should deliver cost benefits to Haringey and others included in the contract being procured although at this stage there is insufficient certainty to build specific sums into the Council's MTFP.

7.3 As stated in 6.13, Haringey will lead the procurement process. An agreement with Waltham Forest is being drafted by Legal which will finalise attributable costs. At this stage it is assumed that any costs attributable to Haringey will be met from existing IT and Procurement budgets.

7.4 Clearly joint procurement will require congruent start dates and an adjustment may need to be made to current contract end dates..

8. Head of Legal Services Comments

8.1 8.1 The proposed SAP managed service contract involves procurement of a mixed services/supplies contract valued above the applicable threshold (£156,442). As a result, EU tendering is required under the Public Contracts Regulations 2006 (PCR 2006).

8.2 The choice of tender procedure will depend on whether the proposed contract can be considered particularly complex and one which cannot be awarded by use of the open and restricted procedures. This will require the Council to show that it is either: 1) not objectively able to define the technical means capable of satisfying its needs or objectives and / or 2) not objectively able to specify the legal and / or financial make up of the project.

- 8.3 Use of the competitive dialogue procedure requires written justification which must be published and on which legal advice should therefore be taken. Given the Council's intention to seek from tenderers innovative technical solutions for using a cross-borough shared SAP platform and the resulting inability for the Council to specify in advance the eventual technical, financial and legal makeup of the project, this project is likely to qualify to be tendered under competitive dialogue.
- 8.4 Given the legal complexities of a competitive dialogue procurement, Legal should be fully consulted and kept involved from the earliest stages of and throughout the project.
- 8.5 Subject to the further considerations set out in paragraph 2 of Appendix A to this report, the Head of Legal Services confirms that there are no legal reasons preventing Cabinet from approving the recommendations in paragraph 4 of this report.

9. Head of Procurement Comments

- 9.1 The procurement of a ONE SAP managed service provider will follow a OJEU compliant Competitive Dialogue process that will be advertised at the end of July 2011.
- 9.2 The aim is to select a maximum of 6 potential providers with whom we shall conduct initial dialogue; after which time we shall then reduce numbers to a maximum of 3 providers from whom we shall invite tenders.
- 9.3. The selection criteria will be based on price & quality.
- 9.4 A report will subsequently be submitted to Cabinet Procurement Committee with the results of the tender evaluation and seeking approval to award the contract.
- 9.5 A similar report will be submitted within Waltham Forest, seeking approval to either join the contract on a shared services basis or on an individual borough basis; dependent upon what is most appropriate and best value for each borough.

10. Equalities and Community Cohesion Comments

- 10.1 There are no equalities impacts at this stage.

11. Consultation

- 11.1 Capital Ambition Project Athena Group (OneSAP)
11.2 Waltham Forest

12. Service Financial Comments

12.1 Revenue costs for the managed service for SAP will be provided for within the IT Services budget for the Haringey element of the costs. At this stage it is not possible to quantify what it may be under the new contract.

13. Use of appendices /Tables and photographs

13.1 Appendix A of this report contains exempt information.

14. Local Government (Access to Information) Act 1985

14.1 This report contains exempt and non-exempt information. Exempt information is contained in Appendix A of this report and is NOT FOR PUBLICATION. The information is exempt under the following category (identified in amended Schedule 12A of the Local Government Act 1972):

3. Information relating to financial business affairs of any particular person including the authority holding that information).