



<b>Report for:</b>	<b>Cabinet Procurement Committee</b>	<b>Item Number:</b>	
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<b>Title:</b>	<b>Extension of SAP Managed Service Contract</b>
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<b>Report Authorised by:</b>	<b>Julie Parker, Director of Corporate Resources</b>
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<b>Lead Officer:</b>	<b>David Hatley, Head of Supplier Management, IT Services</b>
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<b>Ward(s) affected: Not applicable</b>	<b>Report for Key/Non Key Decisions:</b> <b>Key</b>
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**1. Describe the issue under consideration**

- 1.1 The Council, in conjunction with the London Borough of Waltham Forest, has issued an OJEU Notice for the provision of an SAP managed service to both Boroughs. (Reference is made to Cabinet Procurement Committee report dated 28 July 2011 entitled Procurement Approach for SAP Managed Service).
- 1.2 The existing contracts that both Councils hold with Logica expire in November 2012, for Haringey, and March 2013 for Waltham Forest. The joint procurement exercise, as well as reducing procurement costs, will enable the Boroughs to work towards a shared SAP system that could allow for increased shared services.
- 1.3 It is not possible to know at this stage whether the migration plan for the new service will allow for Haringey to migrate before Waltham Forest and it is felt prudent that an agreement is reached now with our incumbent supplier to allow for a short term extension to the contract should this be required to mitigate any migration risk.



## **2. Cabinet Member introduction**

- 2.1 The OneSAP procurement is a joint approach with the London Borough of Waltham Forest and will provide a platform upon which the Boroughs can consider shared back office processing.
- 2.2 The potential need to align contracts and migration plans between the Boroughs, whilst taking account of other factors such as Financial Year End, necessitates the option of a contract extension with our incumbent supplier.
- 2.3 The detailed planning required to agree on a suitable migration and live date cannot be undertaken at this time until close of the Competitive Dialogue and award of contract.
- 2.4 I therefore support the proposed recommendation.

## **3. Recommendations**

- 3.1 That Cabinet Procurement Committee agree to the extension of the existing contract between Haringey and Logica UK Limited for a minimum period of 4 months (to allow alignment with Waltham Forest's contract expiry date in March 2013), with the option to extend on a rolling month basis to a maximum of 12 months, to facilitate any prolonged negotiation with regards a new contract and to enable adequate planning as necessary to migrate to a new SAP based solution.
- 3.2 That Cabinet Procurement Committee agree to delegate the power to the Director of Corporate Resources to:
  - (a) agree the terms of the initial 4-month extension recommended in paragraph 3.1 above; and,
  - (b) to decide on a monthly basis, starting at the end of the first month of the 4-month extension, whether to allow further extensions or to issue a 3-month notice of termination.

## **4. Other options considered**

- 4.1 The option of allowing the existing contract to terminate at its expiry may leave the Council, and Waltham Forest, exposed should negotiations and the migration plan require additional lead in times.



## **5. Background information**

- 5.1 Haringey and Waltham Forest Councils have entered into a joint procurement exercise to tender the managed service contracts for their SAP systems. The intention is to procure a managed service for a standard SAP system that can be used by both Boroughs. This will initially reduce the costs of procurement but will also enable reduced running costs and could facilitate shared services between the two Boroughs for back office processes.
- 5.2 Both Boroughs use SAP as their core enterprise system and both have a contract with Logica UK Limited to manage the service. The Haringey contract expires in November 2012 whilst Waltham Forest's expires in March 2013.
- 5.3 At this stage, it is too early to establish any form of migration plan to the new platform which may entail a joint migration or may require key dates, such as financial year end, to be avoided. It was felt prudent to agree terms now with Logica for the short term extension of our contract should this be required.
- 5.4 The proposal is for a minimum 4 month extension with the option to provide additional one month rolling extensions, subject to three months notice of termination. The cost of this extension is shown in Appendix A, Exempt Information.
- 5.5 A separate report will be made to the Cabinet Procurement Committee for the contract award for the new managed service in late 2012/13.

## **6. Comments of the Chief Finance Officer and financial implications**

- 6.1 The budget for the current managed service contract with Logica sits within IT services and, until the new contract is agreed by Cabinet Procurement, will be available to cover the costs of the proposed extension to the existing contract as recommended in paragraph 3.

## **7. Head of Legal Services and legal implications**

- 7.1 The report is seeking an extension to the existing Logica contract which is a mixed services/supplies contract that is subject to EU procurement rules as reflected in Public Contract Regulations 2006 ("PCR 2006"). The proposed extension is not provided for in the terms of the contract.
- 7.2 Under CSO 10.02.2 the Cabinet Procurement Committee may extend a contract providing that to do so is consistent with the Public Contract Regulations 2006 ("PCR 2006") and the Council's Financial Regulations.
- 7.3 Further considerations on the exercise of the discretion whether to extend are set out in Appendix A (Exempt Information).



7.4 Cabinet Procurement Committee also has the power, under the Local Government Act 2000, section 15(7), to delegate its powers to the Director. This includes the power to approve the terms of the initial 4-month extension recommended in paragraph 3.1 as well as the further monthly extensions recommended in paragraph 3.2.

7.5 Subject to the considerations referred to in para. 7.3, there are no legal reasons preventing Members from approving the recommendations.

## **8. Equalities and Community Cohesion Comments**

There are no equalities impact at this stage.

## **9. Head of Procurement Comments**

9.1 The SAP contract with Logica UK Ltd expires in November 2012.

9.2 The procurement team are conscious of the need to align with Waltham Forest where possible to ensure cohesive implementation of this joint project and also mindful of the need to minimise any risks to Council services and processes, especially around the financial year-end.

9.3 In order to ensure overall best value and to minimise risks, it is necessary to negotiate with Logica now, the terms of any options to extend.

9.4 Officers are therefore seeking Cabinet Procurement Committee approval to begin negotiations as soon as possible, and to delegate decision making powers to the Director of Corporate Resources. The delegated powers would be exercised by the Director to allow monthly extensions beyond the proposed initial 4-month extension until Cabinet Procurement Committee are able to consider a report for the award of the new contract.

9.5 The Head of Procurement is satisfied that the recommendations in this report are prudent and realistic; and will minimise any risk to Council services and processes, at optimal cost.

## **10. Policy Implication**

10.1 There are no policy implications at this stage.

## **11. Use of Appendices**

11.1 Appendix A, Exempt Information, is attached.

## **12. Local Government (Access to Information) Act 1985**