

Part B of this report is not for publication for the reasons stated in paragraph 6.1.

Procurement Committee**On 27 June 2007**

Report Title: **Part A: Variation of the LogicaCMG Agreement for the provision of a SAP Enterprise Licence Agreement**

Forward Plan reference number (if applicable): **v61**

Report of: **Interim Director of Corporate Resources**

Acting Director of Finance

Ward(s) affected: **N/A**

Report for: **Non-Key Decision**

1. Purpose

- 1.1 To seek Member agreement to vary the LogicaCMG Agreement for the provision of a SAP Enterprise Licence Agreement, to enable the Council to move forward with more strategic investments.

2. Introduction by Cabinet Member

- 2.1 The variation to the LogicaCMG agreement will save the council money in the long term and is to be funded from the LAGBI grant. The SAP enterprise agreement benefits are outlined at paragraph 11. I commend the report to committee for endorsement.

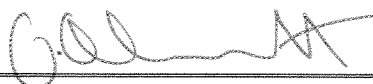
3. Recommendations

- 3.1 That Members agree to vary the LogicaCMG Agreement for the provision of a SAP Enterprise Licence Agreement, in accordance with the recommendations in paragraph 14 of this report.
- 3.2 That members delegate authority to Acting Director of Finance, Gerald Almeroth, to vary the contract details.

Report Authorised by: **Interim Director of Corporate Resources, Tim Dauncey**



Acting Director of Finance, Gerald Almeroth



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4. Executive Summary

- 4.1 The proposal from SAP in association with LogicaCMG is based on a licence agreement offering full access to SAP to 4,500 PC enabled employees. This will give Haringey the opportunity to move forward with other organisation-wide opportunities, enabling other strategic IT investments, such as Employee Self Service/Managers Self Service (ESS/ MSS) and project systems. This will enable further benefits, including cashable and non-cashable savings. This site licence will also provide a lower cost route to IT application rationalisation across the Council.
- 4.2 It is recommended that Members agree to vary the LogicaCMG Agreement for the provision of a SAP Enterprise Licence Agreement. This will allow Haringey to maximise the investment for the continued development and support of the SAP system and improve flexibility for the deployment of SAP across the Council.

5. Reasons for any change in policy or for new policy development (if applicable)

- 5.1 N/A

6. Local Government (Access to Information) Act 1985

- 6.1 This report contains exempt and non-exempt information. Exempt information is contained in Part B and is **not for publication**. The exempt information is under the following category (identified in the amended Schedule 12A of the Local Government Act 1972):

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

7 Background

- 7.1 IT Services let a managed services contract to LogicaCMG for the provision of SAP licences and on-going development and support of the software and hardware environment from November 2001 to November 2011.
- 7.2 Although SAP is a Council-wide corporate IT system, its capability is not fully utilised due to licence cost issues. The proposal from SAP will address this issue and is aligned to the current IT strategy to:

- Support the rationalisation of applications across the Council as set out in Part B of the report.
 - Reduce managed service costs
 - Reduce the number of third party suppliers involved in delivering IT Services
 - Reduce complex and costly interfaces
 - Enable wider deployment of corporate IT solutions.
- 7.3 Historically, SAP has always sold licences on a 'pay as required' basis. This is not the most cost effective approach. The cost of SAP licences has been a major contributing factor in constraining wider usage of SAP across the Council. In certain instances the licence approach adopted has resulted in projects which would have benefited all PC enabled employees, such as Employee Self Service/ Managers Self Service (ESS/ MSS), being rejected on the grounds of expensive licence costs.
- 7.4 For some time local authorities, including Haringey, have argued that paying for individual SAP licences was restrictive and that a licence for the whole organisation would bring about more opportunities and greater benefits. SAP has now changed the approach to this and the first local authority to benefit was Birmingham City Council. SAP has now approved Haringey to be the first London borough with a competitive offer of a site licence.
- 7.5 The enterprise licence deal also supports further application developments, such as ESS/MSS, project systems, investment management (IM) and supports the strategy for further application rationalisation as set out in part B of the report. There will be further opportunities to further investigate other additional functionality such as asset management, plant maintenance and real estate, without the need to purchase further licences.

8 Budget

- 8.1 The details of the licence proposal and related implementation costs, are set out in Part B of the report. The implementation cost can be funded from the existing IT capital programme (including carry forward requests from 2006/07) if the project were to be prioritised accordingly.

There is currently no planned funding for the site licence cost as set out in Part B of the report. However, a proposal on funding has been put to Cabinet on the 19th of June on the Councils financial outturn report 2006/07. Subject to this decision by Cabinet, the necessary funding will be in place. The two options being put forward are as follows;

- The grant from the Local Authority Business Growth Incentive scheme (LABGI) received in February 2007 (£1.4m). When the current budget was approved in February 2007 the position on LABGI was unknown and Council approved the approach that any sum received would be added to balances. As a one-off resource this could be utilised. The advantage of this option is that the full ongoing revenue saving could be utilised in the future financial plans.

- As the business case demonstrates a pay back after 5 years then prudential borrowing is an option. The loan could be financed over 5 years. The costs of financing the loan (approximately £270K per annum) would need to be deducted from the full year saving as set out in Part B of the report.

8 Description of Procurement Process

- 9.1 The provision of a SAP Enterprise Licence Agreement will constitute a variation to the managed services contract with LogicaCMG (let as a result of an OJEU competitive tender in 2001) and incorporated in contract by prescribed Change Control Procedures.

9 Consultation

- 10.1 Discussions have taken place with key stakeholders within Corporate Resources.
- 10.2 This is an item published on the Council's Forward Plan v61 (15 June 2007 to 14 October 2007).

10 Key Benefits and Risks

Benefits

- 11.1 Move away from the incremental opportunities towards true organisation-wide opportunities, enabling more strategic investments.
- 11.2 Avoid the less cost effective 'pay as required' approach. This will reduce cases where business needs are not being met, due to the need to purchase expensive licences on a case by case basis.
- 11.3 Leverage more tangible benefits from our investment, by avoiding the current high licence costs.
- 11.4 Develop plans to further rationalise the number of different systems in-use across the Council as set out in part B of the report.

Risks

- 11.5 Please see Part B

12 Contract and Performance Management

- 12.1 The management of LogicaCMG contract and performance will continue as set out in the existing Agreement.
- 12.2 Contract and Performance management will continue to be by means of monthly performance and availability reporting by LogicaCMG and by monthly service reviews held with IT Services to review LogicaCMG's performance against the service levels.

13 Summary and Conclusions

- 13.1 The enterprise licence will enable the Council to exploit additional functionality of the corporate IT system. This site licence will also provide a lower cost route

to IT application rationalisation across the Council and will allow on going IT cost to be reduced.

- 13.2 It is recommended that Members agree to vary the LogicaCMG Agreement for the provision of a SAP Enterprise Licence Agreement to enable the Council to maximise the investment for the continued development and support of the SAP system and improve flexibility for the deployment of SAP across the Council.

14. Recommendations

- 14.1 That Members agree to vary the LogicaCMG Agreement for the provision of a SAP Enterprise Licence Agreement for 4,500 PC enabled employees, in the sum named in Part B of the report.
- 14.2 The process steps for gaining approval to proceed are to:
- Request Cabinet approval for the preferred funding option (this could be achieved in the financial outturn report to Cabinet on 19th June)
 - Present a paper to the Labour group (21st June) outlining the business case and benefits.
 - Request Procurement Committee (27th June) approval for the provision of a site licence by varying the LogicaCMG contract.

15. Equalities Implications

- 15.1 There are no known Equalities implications.

16. Health and Safety Implications

- 16.1 There are no known Health and Safety implications.

17. Sustainability Implications

- 17.1 There are no known Sustainability implications.

18. Financial Implications

- 18.1 Financial implications are set out in paragraph 8 and Part B of the report.

19. Comments of the Acting Director of Finance

- 19.1 The Director of Finance has reviewed the site licence and implementation costs set out in Part B. The proposal makes financial sense as it will allow the authority to fully exploit previous investment in the SAP technology and support the whole efficiency agenda.
- 19.2 Currently the Council has almost 3,800 SAP licences – although only 626 are full licences. The proposed solution of 4500 full licences will provide immediate flexibility and should encompass the additional licences required for development outlined in Part B.
- 19.3 Members will need to be clear what the implications on non-SAP related project developments are if the proposed funding of implementation costs from the IT

capital programme is accepted (Paragraph 8.1) and make decisions in the light of this.

19.4 Paragraph 8.1 sets out options for funding the one-off site licence costs.

20. Comments of the Acting Head of Legal Services

20.1 The Council has an existing contract with Logica CMG for provision of SAP licences.

20.2 Corporate Resources Directorate wishes to vary the contract to provide a site licence.

20.3 The contract contains a provision allowing the contract to be varied.

20.4 The Acting Head of Legal Services has been informed that the original contract was tendered in the E.U. The Public Contracts Regulations 2006 allow for use of the negotiated procedure for additional services without publication of an OJEU notice where the value of the additional services is less than 50 % of the consideration payable under the original contract. The Acting Head of Legal Services has been advised that the proposed variation does not exceed 50% of the original contract price.

20.5 The Procurement Committee has power under CSO 13 to approve variations to a contract.

20.6 At the time of preparing these comments, the funding of the site licence was still awaiting Cabinet approval, and the Acting HOLS was informed that it was likely that confirmation of funding would be received prior to the meeting of the Procurement Committee on 27 June.

20.7 Subject to approval of the funding, the Acting Head of Legal Services supports the recommendations contained in this report.

21. Comments of the Head of Procurement

21.1 The recommendation to vary the contract with LogicaCMG is supported.

21.2 Attention needs to be given to serving notice on current system providers whose contracts may be due to expire and also to establish any technical arrangements with them that may be needed during the transfer.

22. Use of Appendices / Tables / Photographs

22.1 None

22.2 Part B of this report contains exempt information.