

**Report for**                    **Cabinet 8 October 2019**

**Title:**                         Award of Contract for SAP Hosting and Support Services

**Report authorised by :**     Director of Customers, Transformation and Resources

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**Ward(s) affected:**     N/A

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

## **1 Describe the issue under consideration**

This report seeks approval from Cabinet to award a contract, for a term of 2 years with an option to extend for 2 further 1-year periods, by way of a call-off from the Crown Commercial Service's GCloud 11 framework to replace the current SAP managed service supplier. The new 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 2013 a contract was let for a SAP Managed Service for a term of 6+2+2 years. The initial 6-year term is coming to an end, and accordingly, the options and associated costs of extension or migration to another supplier have been explored.
- 2.2 The incumbent supplier, Axon Solutions Ltd t/a HCL Axon and HCL Technologies Ltd ("HCL Axon"), was requested to propose a reduced cost for the optional contract extension, and alternative suppliers on GCloud were also considered. A supplier which already provides licensing for SAP was found to provide hosting and support services that meet our requirements. These services from the proposed new supplier represent a saving of over £1.2m over a maximum four-year contract term.

## **3 Recommendations**

It is recommended that Cabinet approves, in accordance with Contract Standing Order 9.07.1d), the award to the supplier identified in the exempt report of a contract for SAP hosting and support services for an initial 2-year term valued at £533,816.00 with an option to extend for two further one-year periods valued together at £533,816.00 with a total contract value of £1,067,632 over the maximum term of 4 years.

#### 4 Reasons for decision

- 4.1 The current SAP managed service contract with HCL Axon expires in March 2020 and so the Council needs to either extend the current contract or replace it with a new contract with an alternative supplier.
- 4.2 The incumbent supplier was only able to offer a minimal reduction of just £16k per year.
- 4.3 Haringey already have a satisfactory relationship with the proposed supplier.
- 4.4 The proposed supplier are able to provide an equivalent service to the current one at £330k per annum less than the incumbent supplier.

#### 5 Options considered

- 5.1 Request the incumbent supplier to review its pricing model to reduce the costs for the final 4 optional extension years to see if savings could be made. This did not achieve any significant savings and does not meet the savings target.
- 5.2 Request an alternative supplier(s) to provide a quotation so as to compare costs against the current service to see if this proves advantageous enough to move the service. This achieved significant saving which the incumbent was unable to match.
- 5.3 Look to expand the current insourced SAP support team to take on this specialist role. This would require expensive specialised SAP resources to be recruited that would not be fully used. Haringey already have the SAP in-house team to manage most of the administration of the system – this contract is only from specialist SAP support. So the Council already has the correct level of in-house arrangements for the application. This contract is for very specialist SAP support and hosting. It is not an economically viable option to maintain these sorts of skills as part of the Haringey Digital Services section.
- 5.4 Do nothing – this is not a realistic option. This would mean that we would not have a Finance, Payroll, HR, and procurement system

#### 6 Background information

In 2013 a contract was let for the SAP Managed Service for a term of 6+2+2. The initial term (6 years) ends on 15/9/19 and would require the contract to be extended as allowed for under the contract or the contract can be allowed to lapse. The current supplier (HCL Axon) was approached to see what could be done in order to reduce the cost for any extension. A search for alternative suppliers was also done under the Crown Commercial Service's G-Cloud 11 framework and the proposed supplier, identified in the exempt report, was selected for an award of a new contract as the supplier best able to meet the Council's service requirements. A comparative cost for this supplier to provide

hosting and support services was established as they support the SAP licences that are used with this contract and could also host and support the service as part of their service offering. While HCL Axon were not in a position to offer any significant savings, the cost proposal received from the proposed new supplier reduced the cost for the required services significantly.

There is a cost to migrating the service from the Sunguard Data Centre (a sub-contractor under the HCL Axon offering) to Amazon Cloud at a cost of £221,676.00 which will be funded from flexible capital receipts as they are one-off 'transformation' costs that are necessary to deliver ongoing back office revenue savings. There are also Exit costs from HCL Axon chargeable under HCL Axon's contract the exact amount of which are dependent on how long it takes to transition to the new supplier though these have been capped at £70K. The migration program is likely to take between 3-6 months. The time taken is mainly dependent on the testing required. The proposed new supplier has stated that a transition usually takes around 4 months.

It was agreed between the project team and the procurement team that the G-cloud 11 framework was the most expedient route to market to procure these services. G-cloud 11 provides access to a wide range of suppliers and due to being able to procure at a faster pace, minimised the amount of time that the incumbent contract needed to be extended for.

Ten suppliers were initially shortlisted on G-Cloud using a keyword search based on the specification produced by the project team.

In accordance with G-Cloud guidance, assessments were then carried out for all shortlisted suppliers based on the suppliers' detailed service descriptions. This was completed by two members of the project team. Based on the service descriptions, the project team concluded that only one supplier could fully meet the specification, and this was mainly because the majority of suppliers could only migrate or host the solution, and were not able to support the application without sub-contracting this out to a third party.

G-Cloud guidance stipulates that if only one service meets your requirements, you can award a contract to the supplier without doing anything else.

The proposed new supplier's service has been procured through a GCloud 11 Framework under a direct award for a term of 2 years with an option to extend for a further 1+1 years, as allowed for under the framework.

The HCL Axon contract has been extended under Delegated Authority for 6 months to allow for transition to the new supplier. The managed service cost and SLAs under the extended HCL Axon contract will apply during the transition to the proposed new hosting and support provider so there will be no loss of services during transition.

## 7 Contribution to strategic outcomes

This proposal to award a contract aligns to the corporate strategic need to reduce costs on back office operations. It represents a low-risk option for the council, preserving and potentially enhancing the support and maintenance of one of the council's key software systems. This is a model which has been followed by a number of other local authorities and which would deliver savings of over 50% on the current situation.

## 8 Statutory Officers comments (Chief Finance Officer, Head of Procurement), Assistant Director of Corporate Governance, Equalities)

### 8.1 **Finance**

The SAP system represented significant revenue expenditure to the authority in 2018/19 at over £900,000 across two contracts, one for licence support and maintenance and the other for the managed service and hosting. The current MTFS targeted an annual saving of £300,000 from 2019/20 across these contracts with £190,000 already achieved by moving the licensing and support and maintenance from SAP to a third party.

This 2+1+1 year contract award addresses the managed service and hosting element and will generate further cost savings of £330,550 per annum (£1,322,201 over the contract period).

Between these two contract awards total savings of £520,550 per annum will be achieved bringing the total running costs of SAP within the revised revenue budget envelope and achieving additional savings which will be used to support and enhance the Council's digital transformation programme.

The one-off upfront costs in changing supplier, notably the £221,676 fixed cost of migrating to the new hosted provider and HCL's exit costs which are payable under the HCL Axon contract and capped at £70,000, will be funded from the approved flexible capital receipts programme.

### 8.2 **Assistant Director of Corporate Governance**

**8.2.1** This report is proposing the award of a contract by way of a direct award call-off from the Crown Commercial Service's G-Cloud 11 framework agreement.

**8.2.2** Pursuant to 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.

**8.2.3** Strategic Procurement have confirmed that the G-Cloud 11 framework provisions for direct award of a contract without the need for a mini-competition were followed in calling off the proposed supplier.

8.2.4 Pursuant to CSO 9.07.1(d) contracts valued at £500,000 or more must normally be awarded by Cabinet.

8.2.5 The Assistant Director of Corporate Governance is not aware of any legal reason preventing Cabinet approving the recommendations in this report.

### **8.3 Strategic Procurement**

The procurement is being undertaken in accordance with the rules of the CCS GCloud 11 framework. A search of the GCloud framework provided results which were filtered to focus the results towards the service offering required. The filtered service offerings were then reviewed and compared by 3 members of staff and the winning service offering selected. The winning service providers pricing was subject to clarification prior to the recommendation to award to ensure a correct understanding of filtered offerings.

The procurement has been undertaken in a compliant process and award of contract by Cabinet is permitted under CSO 7.01 (b) (by selecting one or more contractors from a Framework) and CSO 9.07.1(d) (All contracts valued at £500,000 (five hundred thousand pounds) or more, may only be awarded by Cabinet).

Strategic Procurement have no objection to this award.

### **8.4 Equality**

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.

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.

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

## **9 Use of Appendices** N/A

## **10 Local Government (Access to Information) Act 1985**

This report contains exempt and non-exempt information. The exempt information is contained in the exempt report and is not for publication. The exempt

information is under the following category (identified in amended schedule 12A of the Local Government Act 1972 (3)):

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

