

MUNICIPAL YEAR 2015-16 REPORT NO.

Delegated Authority Report

REPORT OF:

Director of Finance, Resources and
Customer Services.

Stephen Addison
020 8379 4097
Stephen.addison@enfield.gov.uk

Agenda - Part: 1	Item:
Subject: SAP BASIS AND FUNCTIONAL SUPPORT CONTRACT	
Wards: All	
Cabinet Member consulted: N/A	

1. EXECUTIVE SUMMARY

- 1.1 In February 2014, Cabinet approved a four year extension to the Council's ICT Support Contract (with Serco) and the implementation of a more flexible Service Integration and Management (SIAM) model comprising five service towers: Data Centre, Network, Applications, SAP and End User Computing, with Serco appointed as the service integrator.
- 1.2 This means that the Council can ensure that "best of breed" providers are used to deliver services. It will enable the Council to move much more quickly to new providers for each of the individual towers, to take advantage of any future changes in technology, markets, strategy and costs, than under the previous arrangements.
- 1.3 The first annual review of support for the SAP tower has been completed and this report seeks approval to procure from Absoft, SAP Basis and Functional Support and project related services, and to enter into a two year contract, with the option to extend for a further two years.
- 1.4 Reviews of the remaining SIAM towers are under way and recommendations for change will be made in due course if better value arrangements become possible.

2. RECOMMENDATIONS

- 2.1 To approve the procurement of SAP Basis and Functional Support from Absoft and to enter into a two year contract, with the option to extend for a further two years, at an annual cost of £251,608, utilising the Dorset County Council - ICT Technical Resourcing Framework.
- 2.2 To note that the contract will include provision to procure additional consultancy / project related services to deliver the SAP Development plan, based on the schedule of rates set out in paragraph 4.6 of the Part 2 report. Each project will be the subject of a separate DAR.
- 2.3 To approve, in lieu of unlimited liability normally sought from suppliers, the liability cap of £1m included in the above framework.
- 2.4 To note the letter from the supplier, commenting on the financial position of the company, attached as Appendix 1 to this report.
- 2.5 To note the risk of financial loss resulting from the advance payment of contract costs and the proposed mitigation, detailed in paragraph 8 of the Part 2 report.
- 2.6 To note the interim findings of the PWC review of SAP HANA that a further review of the suitability of SAP be undertaken at a future date when the HANA product is more mature. Any further review will assess the business case for change, and the suitability of the system to meet the business needs of the Council at that time.

3. BACKGROUND

- 3.1 SAP is a key business software application used across the Council to provide essential functions including financial systems (accounting, payroll and procurement) and human resources. The SAP system has been in use by the Council since 2002. However there has been new investment in SAP hardware and the application has recently been updated to meet current requirements.
- 3.2 With the recent move to the SIAM model, it will now be much easier for the Council to change ICT support providers and to take advantage of changes in technology, markets, strategy and costs, than it was under the previous arrangements.
- 3.3 The first annual review has been completed and this report seeks approval to take advantage of that flexibility and to procure from Absoft, SAP Basis and Functional Support and project related services, and to enter into a two year contract with the option to extend for a further two years.

- 3.4 Reviews of the remaining SIAM towers are under way and recommendations will be made in due course, if better value arrangements are found to be possible.
- 3.5 As part of the review of SAP support requirements, the opportunity has been taken to confirm the appropriateness of the SAP application, the hosting arrangements, and the support options available and to undertake market testing to ensure that the Council continues to receive value for money. As part of this process the business requirements have been reviewed and 3 companies approached (Absoft, HP and Serco / iTelligence) to provide costed proposals for the services listed below:
- Application management service
 - Application and Interface Software support service
 - Database administration service
 - Application installation and removal service
 - Project implementation / adhoc consultancy.

SAP HANA

- 3.6 SAP HANA is SAP's next generation business suite. By 2020 this will be their standard platform and this is likely to be the only platform for which additional and new functionality is developed.
- 3.7 To ensure that the impact of SAP HANA, the new standard platform is taken into account, the Council engaged PwC to undertake a feasibility assessment to find out whether the Council is ready to implement SAP HANA, and to understand whether SAP HANA could currently deliver better decision making, operational efficiencies and cost reductions.
- 3.8 PwC has considered several potential scenarios that may support a HANA business case and found that migration to HANA in the near future could not be recommended.
- 3.9 The three scenarios considered for HANA suitability were:
- SAP HANA as a strategic solution to support the implementation of Enfield 2017.
 - SAP HANA as a way to improve the user experience by increasing / optimising the business operations in SAP.
 - SAP HANA as a replacement for current SAP platforms with minimal expected change in business operations.
- 3.10 HANA might have provided a platform to support Enfield 2017, but because the implementation of Azure and Microsoft BI solutions are already sufficiently advanced, the need to use HANA for this purpose has been ruled out.

- 3.11 The current SAP landscape is complex and customised, and key processes such as accounts receivable and procurement for property maintenance are supported by other applications. It would therefore require significant back office changes to be able to migrate to HANA, at a time when resources will be stretched by other changes including Enfield 2017. Therefore this is also not considered a practical option.
- 3.12 There is limited benefit at this time in migrating to HANA as a replacement for the current SAP solution. There would be additional costs for the HANA licences, and based on the current SAP use there would be little business benefit to be gained from the increased performance and analytics capability.
- 3.13 In addition, and to further support SAP business processes at Enfield, PwC have performed a limited inspection of the SAP configuration in order to identify other areas for improvement in the existing processes. Recommendations from this work will feed into the later Enfield 2017 review of finance processes.

4 EVALUATION OF PROPOSALS SUBMITTED

- 4.1 The business requirements for SAP support have been reviewed and 3 companies approached (Absoft, HP and Serco / iTelligence) to provide costed proposals for the service. An analysis of their submissions is set out in the Part 2 report.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 The opportunity to review the appropriateness of the SAP solution and test the market was considered, but given the current commitment across the organisation to the Enfield 2017 Digital Programme it has been agreed by the IT Board that the Council does not have the capacity to move away from SAP at the current time. However it is important that the Council continues to look at different options for supporting SAP moving forward.

- 5.2 Rimini Street SAP support model.

Support from the Rimini Street SAP support model could provide lower cost application support, avoiding the need to continue to pay costly SAP Enterprise support costs (Rimini Street, rather than SAP will be responsible for any fixes / statutory changes / updates required to the application), in addition to the SAP Basis and Functional Support detailed in this report.

Whilst the cost savings of this model could be significant, the approach was discounted as the application would not be developed and no further system enhancements could be introduced. The Council's relationship with SAP would cease and they would have no further responsibility for the software. Should the Council wish to re-establish a relationship with SAP in the future, this would entail considerable upgrade costs.

5.3 Meetings have also been held with SAP and HP to consider HANA hosting options and meetings are being scheduled with Waltham Forrest and Hampshire to explore potential shared service opportunities in the future.

6. REASONS FOR RECOMMENDATIONS

6.1 Following the first annual review of support for the SAP SIAM tower, a change of service provider is recommended to better meet the Council's specified support requirements.

6.2 Absoft costs of £251,608 are the most economically advantageous to the Council at this time.

6.2 References from Northern Rail and Staffordshire County Council were very positive and both customers have indicated that they intended to extend their current contracts.

7. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES & OTHER DEPARTMENTS

7.1 Financial Implications

7.1.1 The total annual cost of the Absoft support proposal can be met from within the existing resources of the CIT Service.

7.2 Legal Implications

7.2.1 The Council has a general power of competence in s.1 (1) of the Localism Act 2011 states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation. The recommendations set out in this report are consistent with this power.

7.2.2 The Council must comply with its Contract Procedure Rules (CPR). It has been confirmed that approval from the Strategic Procurement Board has been obtained as has ICT project approval. As the contract value exceeds the EU threshold it must also comply with the Public Procurement Regulations 2015.

7.2.3 Pursuant to the CPR 21 for every contract exceeding £250,000 the Council is required to obtain a performance bond or a parent company guarantee. Such security is being obtained by Council.

7.2.3 The Council is permitted to call-off from a valid framework, and in doing so must comply with the terms of that framework. This particular call-off contract caps supplier liability at £1m. The framework terms provide that in circumstances of a direct award (as in this case) the call-off terms shall not be amended.

7.2.4 The Council must comply with its obligations with regards to obtaining best value under the Local Government (Best Value Principles) Act 1999.

7.2.5 All legal agreements arising from the matters described in this report must be approved by the Assistant Director of Legal Services.

7.2.6 As the contract value exceeds £250,000 this is a Key Decision and the Council must comply with the Key Decision procedure contained in Part 4 paragraph 14 and 15 to the extent appropriate.

7.3 Property Implications

None.

8. KEY RISKS

8.1 These are detailed in the Part 2 report.

9. IMPACT ON COUNCIL PRIORITIES

9.1 Fairness for All
N/A.

9.2 Growth and Sustainability
N/A.

9.3 Strong Communities
N/A.

10. EQUALITY IMPACT IMPLICATIONS

N/A.

11. PERFORMANCE MANAGEMENT IMPLICATIONS

This is the key system for managing the financial performance for the Council and therefore needs to be supported in a compliant manner.

12. HEALTH AND SAFETY IMPLICATIONS

None.

Background Papers

None

MUNICIPAL YEAR 2015-16 REPORT NO.

MEETING TITLE AND DATE:

Delegated Action Report

REPORT OF:

Director of Finance, Resources &
Customer Services

Rajiv Rathod

020 8739 5159

Rajiv.rathod@enfield.gov.uk

Agenda - Part: 1

Item: KD 4132

ICT Revenue & Benefits Contract

Wards: All

Cabinet Member consulted: N/A

1. EXECUTIVE SUMMARY

- 1.1 This report seeks to contract for 5 years with the Council's existing ICT Revenue & Benefits supplier.
- 1.2 Due to existing transformation programme and the anticipated savings it is recommended that the Council sign up for 5 years
- 1.3 By moving to a 5 year contract, the Council will benefit from a significant financial saving

2. RECOMMENDATIONS

- 2.1 To complete a direct award on the CCS (Crown Commercial Service) Framework
- 2.2 Sign up for a 5 year contract.

3. BACKGROUND

- 3.1 The Council signed up to a 3+1+1 year ICT Revenue and Benefits contract in November 2012 after a tender, and is now approaching the extension period.

Due to the schedule of work with the existing supplier in line with the Council's corporate initiatives, we are seeking to award a new 5 year contract for the same services.

This would be a direct award through the Government eMarketplace on the Crown Commercial Service Local Authority Software Applications (LASA RM 1059) Framework.

The 5 year contract will also include an upgrade of the existing Microsoft SQL licence.

The annual support fee includes hosting, legislative changes, and support & maintenance for over 60 interfaces.

This is essentially a support and maintenance contract, where for service continuity and Enfield 2017 transformation it is recommended by ICT that a long term agreement is signed with the existing supplier.

Whilst there are two other suppliers in the market, the integrated nature of the Civica solution (with over 60 Enfield specific interfaces) and the existing supplier's role in the Enfield 2017 Single View programme, restricts the ability to re-compete whilst the system continues to meet the business requirements, and is planned to assist with service transformation.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 To continue rolling the existing agreement on annually, but the Council would not be able to transform services and would be at risk of not having a signed underpinning contract.
- 4.2 Run another competitive procurement, but this will delay roll out of improved service to the Council.

5. REASONS FOR RECOMMENDATIONS

- Significant cost saving which assists with the Council's budgetary aims
- Stronger underpinning contract providing greater assurance to Council
- Allows transformation of ICT service

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES & OTHER DEPARTMENTS

6.1 Financial Implications

See part 2 report

6.2 Legal Implications

6.2.1 The Council has the power under the Localism Act 2011 to do anything that individuals generally may do provided it is not prohibited by legislation and subject to Public Law principles. Section 111 of the Local Government Act 1972 gives a local authority power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The recommendations in this report are in accordance with these powers.

6.2.2 The procurement of an ICT Revenues and Benefits supplier must be carried out in accordance with the Public Contracts Regulations 2015 ("PCR 2015") and the Council's Constitution, in particular the Contract Procedure Rules ("CPRs"). The value of the contract is above the EU threshold. Both the PCR 2015 and the CPR's permit the use of Framework Agreements. The Council must however ensure that due diligence is carried out on the Framework by Corporate Procurement to confirm that the Council has the ability to call off from the Framework and that the Framework will deliver value for money. The Council must further ensure that the procedure for call off under the terms of the Framework is complied with. To call-off directly from the Framework, the Council must award the contracts in accordance with the terms and conditions of the Framework and must ensure that the terms are not altered.

6.2.3 The Call-Off contract must be in a form approved by the Assistant Director of Legal Services and Governance.

7. KEY RISKS

See Part 2 report

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

N/A

8.2 Growth and Sustainability

N/A

8.3 Strong Communities

N/A

9. EQUALITY IMPACT IMPLICATIONS

An Equal Opportunities Policy has been obtained from the supplier and addresses the Council's requirements

10. PERFORMANCE MANAGEMENT IMPLICATIONS

The supplier will continue to provide reporting information where requested. The overall supplier performance will continue to be managed within Corporate IT's Supplier Relationship Management team.

11. HEALTH AND SAFETY IMPLICATIONS

N/A

12. PUBLIC HEALTH IMPLICATIONS

N/A