

SURREY COUNTY COUNCIL**CABINET****DATE: 23 APRIL 2013****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR CHANGE AND EFFICIENCY****LEAD OFFICER: LAURA LANGSTAFF, ACTING HEAD OF PROCUREMENT & COMMISSIONING****PAUL BROCKLEHURST, HEAD OF INFORMATION MANAGEMENT & TECHNOLOGY****SUBJECT: AWARD OF A FRAMEWORK AGREEMENT FOR THE PROVISION OF SAP MANAGED SERVICES AND SAP APPLICATION DEVELOPMENT**

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SUMMARY OF ISSUE:

The Cabinet agreed in December 2012, with the support of full Council in February 2013, the establishment of a partnership agreement between Surrey County Council (SCC) and East Sussex County Council (ESCC) for the provision of a shared business support service; including transactional support and IT hosting services.

To support this partnership, a procurement process to award a joint contract to provide SAP technical support to both Councils has been undertaken.

Both SCC and ESCC use SAP as their main transactional system, covering activities such as payroll, accounts payable & receivable and general ledger functionality. The joint procurement of SAP technical support will enable the shared strategic vision for a single SAP system supporting both Councils to be achieved.

RECOMMENDATIONS:

It is recommended that the Cabinet:

1. Approve the award of a 4 year framework agreement, and the immediate use of that framework to award a 3 year call-off contract, to a single supplier for SAP Managed Services with a 2 year optional extension to provide ongoing SAP maintenance and monitoring of the SAP system.
2. Approve the award of 4 year Framework Agreement for SAP Application Development, to provide SAP development services, that will allow a range of suppliers to compete for projects as they arise through the use of mini-competitions.

Details of the recommended suppliers can be found in Annex 1, attached as agenda item 9 in Part 2 of this agenda. The proposed framework agreements will be made available for use by Surrey County Council, East Sussex County Council, and all public sector bodies in the South East.

REASON FOR RECOMMENDATIONS:

The existing SAP Managed Services contract will expire on 30 September 2013, and in order to ensure continuation of maintenance and support, the Council must enter into a new contract.

A fully compliant procurement process has resulted in a recommended contract award that provides value for money, delivering 38% savings on the current managed service contract and a clearer specification and scope. Further efficiencies will also be delivered through contract and supplier management, as the same supplier will provide a managed service to SCC & ESCC.

The recommendation to enter into a separate Framework Agreement for SAP development services with 10 suppliers, under which contracts for specific and specialist work packages can be awarded, will further support the strategic objectives of enabling a common shared single SAP system across SCC & ESCC. When comparing current process against the indicative prices for the likely development work packages for which the new Framework Agreement will be used, it is anticipated that savings of at least 20% can be achieved.

Details of the recommended suppliers and cost savings delivered through the recommended contract awards can be found in Annex 1, attached as agenda item 9 in Part 2 of this agenda.

DETAILS:

Background

1. Surrey County Council (SCC) and East Sussex County Council (ESCC) are both members of the SE7 group of councils, and are exploring ways of working more closely together across the region to achieve efficiencies. In addition to participating in SE7 workstreams, ESCC and SCC have together established a number of initiatives aimed at delivering efficiencies.
2. A partnership was formally established in July 2012 to share procurement arrangements, which will initially deliver additional savings and better value for taxpayers. This partnership arrangement has further extended, with Surrey County Council delivering transactional and IT Data Centre hosting support services with effect from April 2013.
3. SCC and ESCC have recently agreed the principles of working jointly towards a single SAP system with a shared configuration and common processes, and the recommended contract awards are an enabler for this.

Joint working on SAP

4. By working together, the Councils will look to develop a range of shared support structures. These include a 'Centre of Excellence' for SAP maintenance support and application development, the creation of a shared development roadmap and the alignment aspects of the two systems' technologies. Implicit in this is that the Councils will aim to share the costs of new developments and align the functionality in a way which supports the broader business aims of combining business services functions where it makes sense to do so.

5. Both councils will host their SAP systems at SCC's new purpose-built data and disaster recovery centres. We have recently moved our SAP system into the data centres and ESCC have launched a project to transfer their systems onto new hardware in the data centre in July 2013 in time for the new application support contract.

Procurement strategy

6. A joint procurement and project team was established including representatives from SCC and ESCC. The team reviewed existing frameworks and felt that these did not provide the opportunity or access to the range of specialist suppliers in the market. A decision was therefore made to undertake a new procurement process to ensure value for money from new contractual arrangements.
7. Entering into a framework agreement, covering (a) Managed Service providing SAP maintenance and monitoring support, and (b) SAP future application development across the two Councils, is the most effective contract structure to enable the vision of SCC and ESCC to move towards a common shared single SAP system.
8. The detailed results of the resulting procurement process, which was fully compliant and undertaken using the Councils e-tendering system are included in Part 2 Annex 1. A Pre Qualification Questionnaire established significant market interest and was used to screen a number of providers against the criteria established by the joint project team to ensure that those suppliers invited to tender were best able to meet the requirements.
9. Bidders were evaluated under the following criteria to ensure the most commercial advantageous response:-
 - 60% Quality; a detailed Technical Specification was developed by both SCC and ESCC drawing from the knowledge and experience of the team.
 - 40% Price; a variety of commercial models were evaluated (comprising of fixed price, pay as you go and service incentive).

Contract Award

10. A framework agreement governs the overall commercial arrangements between a buyer and supplier, providing a clear structure for price, service delivery and quality. Framework agreements can be for a maximum of four years, and when they include multiple suppliers, also allow for further mini-competition to ensure value for money. A benefit of frameworks is that the same agreement can be utilised by several buyers, meaning that they provide a clear contractual structure when working in partnership.
11. The recommendation is that a Framework Agreement is awarded on a 4 year term in two Lots:-
 - Lot 1: Managed Services - to provide a managed service for the ongoing SAP maintenance and monitoring of the SAP system
 - Lot 2: Application Development - to provide SAP development services.

12. The result of the procurement activity for Lot 1 is a framework agreement with a single supplier. SCC will look to immediately award a contract under this framework, and this 'call off' contract will be awarded on a fixed price basis for 3 years, with the ability to extend for a further 2 years.
13. Through their own governance arrangements, ESCC will also be seeking approval to award a contract under the Managed Services framework, and it is anticipated that a 3 year contract will allow a successful transition to a common approach to support & maintenance across ESCC and SCC. Including the optional extension of 2 years provides for further stability and flexibility during this period.
14. The result of the procurement activity for Lot 2 is the recommendation to appoint 10 suppliers to enable access to a diverse range of development skills. There is no minimum spend commitment under this framework, and future requirements will be subject to a further mini-competition.
15. Details of the suppliers for both Lot 1 and Lot 2 are detailed in Annex 1, attached as agenda item 9 in Part 2 of this agenda..

Post contract Implementation

16. A contract manager and project manager will be appointed to oversee the implementation phase of the managed services contract and establish proper communications and engagement with all stakeholders. Procurement will commercially manage the Framework Agreements throughout their lifetime.

CONSULTATION:

17. Officers from both Surrey County Council and East Sussex County Council have been involved in the procurement, providing expert knowledge around the design of the specification and evaluating tenders and agreeing contract award.

RISK MANAGEMENT AND IMPLICATIONS:

18. The key risks are detailed below:

	Risk Description	Mitigation Activity
Financial	Costs may escalate through the lifetime of the contract	<p>Ongoing stable maintenance requirements will be provided for a fixed price for the duration of the contract.</p> <p>Development projects (where requirements may change over time) will be competed amongst a number of suppliers on the framework on a project by project basis to ensure value for money is retained.</p>

	If the Council's requirements reduce the contract will cease to offer value for money.	Requirements for development services may vary but the framework will have no required minimum spend commitments from the Council.
Reputational	Poor performance of supplier leads to reputational issues for the Council.	Careful selection of suppliers and careful management of service by IMT to KPI's and SLA's.
	Delay in single SAP system leads to existing systems operating without maintenance provision.	The contract contains the option to exercise an extension of up to 2 years in case of delays in future strategy.

Financial and Value for Money Implications

19. The existing annual spend for SCC for the Managed Service (ongoing maintenance) is included within the IMT budget provision. The savings delivered as a result of the tender process are contained in the Part 2 Annex.
20. Spend on SAP Application Development will vary and will be determined by business case analysis, to ensure that each development delivers a net benefit. However, an assessment on the prices provided by the bidders versus existing costs demonstrates savings of at least 20%. Further details are provided in Annex 1, attached as agenda item 9 in Part 2 of this agenda.

Section 151 Officer Commentary

21. The Section 151 Officer confirms that the recommendations will deliver a saving compared to the current contracts and that all material financial and business issues and risks have been considered in this report.

Legal Implications – Monitoring Officer

22. The restricted procedure has been undertaken for this tender by Procurement and Commissioning in accordance with the procurement regulations.
23. The conditions of contract for the Framework Agreement in relation to each of the Lots were referred to in the Invitation to Tender and subsequently issued to prospective bidders. On the basis the Framework Agreement is entered into with each of the relevant suppliers referred to in this Report, the conditions of contract will not be capable of any material change(s) in order to comply with the procurement regulations.
24. Therefore the Council must ensure that the conditions of contract originally issued to all the prospective bidders are not amended in any material way before the contract is entered into with the chosen supplier.

Equalities and Diversity

25. The Council has been mindful of its equalities duties in carrying out the procurements relating to this paper. Under the Equality Act 2012 when considering this item, the Cabinet should have due regard to the need to (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (b) advance equality of opportunity between persons who share a relevant protected characteristics and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristics and persons who do not share it – the relevant protected characteristics are: age, disability, gender, reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. The contract which suppliers will sign stipulates that they will comply with the relevant equality and diversity legislation (including the Equality Act 2010) whilst performing the services. The contract also requires the supplier to adopt SCC's equal opportunities policy when recruiting and dealing with their personnel.

Other Implications:

27. The successful bidders will have access to, use of and provide maintenance for critical systems used by the Council to provide finance and business support functions:-
- a. the contract stipulates that all providers must comply with the Council's IMT Security and IT Policies.
 - b. all providers have been validated and checked for accreditation by the licensor of the SAP software to ensure that they have the necessary skills, qualifications and expertise.

Climate change/carbon emissions implications

28. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
29. The supplier shall institute and maintain, in relation to its performance of the services, a system of quality assurance. This will cover improvement planning and operation and an environmental management system designed to ensure that the services are carried out in accordance with the specification.

WHAT HAPPENS NEXT:

30. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award	23 April 2013
Award of the Framework (allowing for 5 day)	2 May 2013
10 Calendar day statutory Standstill Period	13 May 2013
Contract Signature	31 May 2013 (or earlier)

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Annexes:

Annex 1, attached as agenda item 9 in Part 2 of this agenda.

Sources/background papers:

Tender Evaluation Summary

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