

ICT AND SAP SUPPORT CONTRACT EXTENSIONS

Cabinet Date	31 January 2018
Finance and Change	Cllr Ray Theodoulou
Key Decision	Yes
Background Documents	<i>ICT Strategy and Roadmap 2013-18</i> <i>Gartner research material regarding outsourced ICT partner options</i>
Location/Contact for inspection of Background Documents	<i>ICT Strategy and Roadmap 2013-18:</i> https://staffnet.gloucestershire.gov.uk/media/3103/gcc-ictstrategy2013-2018-1-32482.pdf https://staffnet.gloucestershire.gov.uk/media/3102/gcc-ictstrategicroadmap2013-2018-2-32483.pdf
Main Consultees	GCC senior officers External ICT Procurement Specialist Gartner - Research and Advisory organisation providing ICT-related insight Sopra Steria bid/negotiation team
Planned Dates	Approval sought for ICT and SAP contract extensions: 31st Jan 2018 ICT contract change notification issued: from 1st Feb 2018 ICT and SAP contracts change negotiation process: from Feb/March 2018 Revised ICT Service go live: April 1st 2018 ICT and SAP contracts extension periods to begin: April 1st 2019
Divisional Cllr.	n/a
Officer(s)	<i>Stewart Edgar – Chief Fire Officer Gloucestershire Fire and Rescue Service</i> <i>Tel: 01452 888788 Email stewart.edgar@gloucestershire.gov.uk</i> <i>Andy Gilbert – Head of ICT</i> <i>Tel. no: 01452 583706 Email: andy.gilbert@gloucestershire.gov.uk</i> <i>Cheryl Millyard - Head of Business Service Centre</i> <i>Tel. no 01452 324100 Email: cheryl.millyard@gloucestershire.gov.uk</i>
Purpose of Report	To seek Cabinet approval to award 2 year contract extensions to the current outsourced ICT and SAP managed service providers.
Recommendations	1) That Cabinet delegates authority to the Chief Fire Officer and Operations Director to exercise the option to extend the ICT support contract for 2 years from April 2019 to March 2021, and 2) That Cabinet delegates authority to the Director of Strategic Finance to exercise the option to extend the SAP support contract from April 2019 to March 2021 and to negotiate the terms and conditions when extending the SAP support contract.

<p>Reasons for recommendations</p>	<p>Both the ICT and SAP Support Contracts have the option to extend by 2 years. This is recommended for continuity of service and to avoid the need to run costly procurement exercises.</p> <p>In terms of the ICT contract extension with Sopra Steria we will:</p> <ul style="list-style-type: none"> • Re-introduce an enhanced support service offering for Members and critical users • introduce new automated toolsets and self-help solutions for ICT users • address a number of identified areas requiring improvement • limit the projected increase in ICT contract indexation costs in later years • enable the council to better prepare for its current digital journey and ensure better alignment with a new ICT partner from April 2021. <p>In terms of the SAP contract extension with Capgemini we will:</p> <ul style="list-style-type: none"> • Continue to take advantage of the efficient and effective service which is delivered via named resources with a detailed knowledge of GCCs' SAP configuration • Continue to take advantage of a flexible and cost effective service as we prioritise resources to either fixes or local/national improvements which ensures the resource best meets the needs of the Council. Avoid the risk of a re-tender of SAP support provider which could result in increased SAP support costs
<p>Resource Implications</p>	<p>The cost of extending both the ICT support contract and the SAP support contract for two years will be funded from within existing revenue budgets.</p> <p>The ICT support contract with Sopra Steria is budgeted for approx. £3m per annum. The contract has enabled the ICT Service to achieve significant business change to date through major technological transformation projects whilst delivering year on year savings via the MTC programme.</p> <p>The SAP support contract with Capgemini is budgeted for £205,218 per annum. The contract has already delivered significant savings to GCC and continues to offer good value for money however the Director of Strategic Finance will seek further cost and service improvements as part of the extension negotiations.</p>

MAIN REPORT CONTENTS

1. Background – ICT Support Contract

1.1 The current ICT outsourced managed service provider contract was awarded to Sopra Steria in January 2014 following a competitive tender process using a government framework. The contract started on April 1st 2014 and is due to end on 31st March 2019 although the contract includes an option to extend for a further two years up to 31st March 2021 and to negotiate service changes.

1.2 The forecasted annual cost of the Sopra Steria contract for 2017/18 is approx. £3m pa (£2m for the fixed ICT core managed service and £1m available for ICT project and application support costs) as at 1st January 2018. The core managed service is calculated annually against an innovative fixed price per-user metric according to pre-defined thresholds designed to deliver efficiencies and help meet MTC savings targets as the council shrank in size.

1.3 ICT Officers began a mid-contract review last year. It concluded that Sopra Steria provided a 'reasonable cost versus quality mix as an ICT managed service provider' but that they had 'not performed to the same standards when delivering business transformational projects'. The detailed findings were co-ordinated into six specific categories and used as a basis to develop a comprehensive service improvement plan.

1.4 Sopra Steria developed a proposal to extend the existing contract for a further two years based on their response to the identified areas for improvement. In order to remain within the constraint of a £3m pa annual budget limit as well as delivering the identified improvements, Sopra Steria will change some of their working arrangements. This report outlines the proposed changes which do not constitute a material change to the contract. The additional benefits to the council justify the award of a two year extension.

2. Options

2.1 ICT Support Contract

As a result of the culmination of significant research and investigation over the past 12 months there are two realistic options now being presented:

Option	Description
Option 1: Award a 2 year contract extension to Sopra Steria (this is the recommended option)	Successful dialogue and negotiation sessions resulted in a proposal that presents improvements to the existing ICT service provision beginning April 1 st 2018 (year 5 of the existing contract) to justify the award of a 2 year contract extension until April 2021.
Option 2: Re-procure a new outsourced ICT partner	Perform a comprehensive procurement exercise which will likely result in a change of provider in Apr 19. This is not recommended.

Option 1: Award a 2 year extension to Sopra Steria (this is the recommended option)

A revised service provision has been proposed at a similar cost to that currently provided - circa £3m pa. The table below provides an overview of the proposed changes and the benefits to the council.

Change	Condition	Comment
1. New fixed price per-user costs have been negotiated for the final year of the contract (year 5) and the two extension years (6 & 7) – this avoids a significant annual revenue cost increase from indexation charges included within the original contract proposal.	Proposed fixed costs will remain constant provided council user numbers stay within +/- 10% of the current 4,050 baseline figure (calculations based on SAP provided figures).	This represents good value to the council, enables better budget forecasting and management and provides an estimated cost avoidance figure of approx. £500k over the next three years (based on figures provided within the original contract proposal).
2. An enhanced support service offering has been re-introduced for critical users, primarily Members, to reflect the additional technological support required and the growing reliance on newly introduced business technology solutions.	Two dedicated FTE on-site support operatives will be appointed to respond more promptly to the needs of defined users. They will also proactively educate and raise awareness of new ways of working in line with the council's own digital journey & new self-help tools.	These two new resources will be delivered within the core managed service charge for year 5 only (i.e. no increased charge for 12 months: April 2018 – March 2019) contributing an estimated cost avoidance figure of approx. £130k (based on Sopra Steria costs). From April 2019 these resources will be chargeable as a separate service offering if still required.
3. Changes to key personnel within the Sopra Steria core managed service team to deliver defined ICT service improvements identified by the mid-contract review (Strategy and Architecture, Project Delivery Performance).	Two key essential roles (Enterprise Architect & Programme Manager) will now be included within the fixed core managed service costs (under this contract extension there is no additional TUPE exposure).	Absorbing these two roles provides a cost avoidance figure of @£376k of revenue costs (estimated projection based on resource utilisation to date) within the variable ICT enablement budget, frees up funds to deliver business change projects and the EA role in particular will be instrumental in helping to develop the next ICT Strategy & Roadmap.
4. Introduction of 24x7 automated ICT services via the implementation of new toolsets and the development of a new target operating model for the Sopra Steria ICT team.	This will accelerate the council's move towards new ways of working in line with the emerging Digital Strategy (e.g. online password resets, self-service portal for raising and tracking support calls, online 'chat-bots' to avoid making telephone calls, etc.)	Sopra Steria are financing the investment in these new toolsets and will be reviewing their resources required to deliver the new target operating model.

Other considerations/benefits

- No need to run a full and costly MSP procurement at this critical time given the organisational and technological challenges the council faces over the next two years.

- Steria are a known quantity to GCC - apart from recent incidents, stability of the system has been within the levels set out in the contract.
- The proposed contract extension period will enable the council to prepare for its current digital journey and ensure better alignment with a new ICT partner from April 2021.
- Sopra Steria will continue to be directed towards focussing on the remaining stabilisation and modernisation programme.

Option 2: Re-procure a new outsourced ICT partner (this is NOT the recommended option)

- Unbudgeted for and excessive costs would be incurred from running a re-procurement exercise within a challenging timescale.
- Potential impact upon the ongoing ICT and business change programme (specifically the ICT deliverables that have been identified to help support the current OFSTED Improvement Plan).

3. Risk Assessment

3.1 ICT Support Contract

Implications of not approving the recommendation (or pursuing Option 2: Re-procure a new outsourced ICT partner):

- A re-procurement will very likely result in an increased revenue cost per annum with no guarantee of an improved or different service provider.
- Delays in developing and providing a robust technology platform within the emerging digital strategy and transformation programme.
- Inability to continue to provide a safe, secure, stable and reliable ICT infrastructure
- Insufficient resources to input towards developing a new ICT Strategy and Roadmap

4. Officer Advice

4.1 ICT Support Contract:

Officer advice is that extending the existing ICT managed service provider contract with Sopra Steria for two years from 1st April 2019 to 31st March 2021 provides a cost-effective solution and continuity of service whilst allowing some re-focusing on key areas of improvement . In addition the proposed improvements do not constitute a material change to the contract.

5. Equalities considerations

Due regard has been given to the Equalities Act 2010 and it has been concluded that it is not relevant given the nature of the services involved. A due regard statement was completed at the start of the outsourced ICT managed service contract in April 2014 – this report is merely an extension of the same contract.

The ICT Service is managed by an Intelligent Client Function (ICF) who control and monitor all significant future ICT change processes through their governance arrangements and the defined change process which incorporates consideration to groups protected under the Equalities Act.

6. Consultation feedback

6.1 ICT Support Contract

Over the past twelve months the ICT Service has consulted widely to ensure that the process to inform this contract extension proposal has been robust:

- Ongoing dialogue and negotiation has been conducted with Sopra Steria to address all identified areas of improvement following the mid-contract review and a costed proposal has been provided.
- Assurances and external validation has been conducted including:
 - A briefing was presented to OSMC in November 2017 to provide an overview of the ICT Service and future ICT strategic planning activities and seeking feedback on the current offer.
 - Global ICT research and advisory experts (Gartner) conducted a review of all relevant documentation and related activities carried out to date and confirmed everything is in order
 - A review by Internal Audit which also confirmed everything is in order
- Endorsement by the ICT Governance Board of Senior Officers and the Corporate Management Team to the contract extension.

7. Performance Management/Follow-up

7.1 ICT Support Contract

- The ICT Service already have a robust performance management regime in place within the current outsourced ICT managed service provider contract with Sopra Steria.
- Within this contract negotiation Sopra Steria will baseline all current activities that are specifically related to the proposed improvements and propose realistic and achievable targets that will demonstrate the value and success of the enhanced/improved services.

8. SAP Support Contract

8.1 Background

8.1.1 The contract to provide support and development for the SAP system was tendered in parallel with the ICT managed services contract and was awarded to Capgemini with a contract term also aligned with the Sopra Steria contract term i.e. 5 years plus optional 2 year extension. The award in 2013 resulted in a saving over 5 years of £347k, of which £246k was cashable.

8.1.2 The annual cost of the Capgemini contract for 2017/18 is £205k which is uplifted annually using RPIX

8.1.3 There has been no negative feedback regarding the performance of the contract and there has been no unscheduled downtime of the SAP system throughout the duration of the contract.

8.1.4 The contract is flexible and GCC determine how to best to use the Capgemini resource, allowing us to implement improvements required by GCC whilst ensuring all the SAP national legislative changes are configured, tested and implemented on time.

8.1.5 The Capgemini work programme is prioritised by the BSC governance board which is chaired by the Director of Strategic Finance and represented by the main functional Heads of Service (Finance, HR and Commercial Services) and the ICT Head of Service.

8.3 Options

1. Award a 2 year extension to Capgemini (this is the recommended option)

No specific improvements to the service have been identified, however there may be scope to reduce the cost of the contract and the Director of Strategic Finance will lead a price negotiation with the aim a reducing the cost of the contract over the 2 year extension period. Capgemini have demonstrated a willingness to negotiate throughout the duration of the contract and have waived 50% of the annual RPIX uplift for the past 3 years and it is therefore likely that a successful negotiation on terms & conditions could be achieved.

2. Re-procure a new SAP support & development provider (this is not recommended)

This will involve a comprehensive procurement exercise resulting in a change of provider from April 2019.

8.4 Risk Assessment

The Capgemini support contract has already delivered significant savings to GCC, provides a high quality service and continues to offer good value for money. The implication of re-procuring a new SAP support & development provider is:

- Excessive cost from running a re-procurement exercise within a challenging timescale
- Accepting the risk that the result may be an increase in cost
- Impact on the current BSC and SAP development programme – for example, diverting resource away from other legislative work (such as GDPR) and other GCC specified improvements (such as improvements to the procure to pay process) and consequent pressure on MTC savings targets.

8.5 Officer Advice

That the Capgemini support contract is extended so that it continues to align with the Sopra Steria ICT managed services contract. The SAP system technical infrastructure, including the database, is well supported by ICT/Sopra Steria and they work well with Capgemini and responsibilities are clear. Capgemini have performed well and the SAP system has not experienced any unscheduled downtime and no specific improvements to the contract have been identified.

8.6 Consultation feedback

There have been no complaints or concerns raised regarding the Capgemini contract and improvements are managed by the BSC governance board who represent the key functional users – Finance, HR and Commercial Services

8.7 Performance Management

Performance is reviewed on a monthly basis and Capgemini have achieved all the agreed key performance indicators.

Report Title	ICT and SAP Support Contract Extensions
Statutory Authority	n/a
Relevant County Council policy	<p>ICT: Various ICT & Information Security policies including (but not limited to):</p> <ul style="list-style-type: none"> • Information/IT Access Policy • Information Security Policy • Email Acceptable Use Policy • Internet Acceptable Use Policy
Resource Implications	<p>The cost of extending both the ICT support contract and the SAP support contract for two years will be funded from within existing revenue budgets.</p> <p>The ICT support contract with Sopra Steria is budgeted for approx. £3m per annum. The contract has enabled the ICT Service to achieve significant business change to date through major technological transformation projects whilst delivering year on year savings via the MTC programme.</p> <p>The SAP support contract with Capgemini is budgeted for £205,218 per annum. The contract has already delivered significant savings to GCC and continues to offer good value for money however the Director of Strategic Finance will seek further cost and service improvements as part of the extension negotiations.</p>
Sustainability checklist:	
Partnerships	ICT: Other ICT software and hardware providers (e.g. Microsoft, Dell, etc.)
Decision Making and Involvement	ICT: GCC Commercial Services, Legal Services, Strategic Finance and HR
Economy and Employment	ICT: A procurement strategy was developed to explore all alternatives to the proposed contract extension. There are no employment issues affecting GCC ICT client team staff within this proposal.
Caring for people	ICT: Not applicable
Social Value	ICT: The existing outsourced ICT managed service contract specifically addressed social value aspects. Sopra Steria have taken their responsibilities very seriously to date and have exceeded all agreed targets. This contract extension seeks to continue that good work for a further two years from April 2019.

Built Environment	ICT: Sopra Steria have been instrumental in delivering significant business transformation and change during their term and have addressed a number of key business risks. This contract extension seeks to continue that good work for a further two years from April 2019.
Natural Environment' including Ecology (Biodiversity)	ICT: Not applicable
Education and Information	ICT: Not applicable
Tackling Climate Change	Carbon Emissions Implications? ICT: Neutral Vulnerable to climate change? ICT: No
Due Regard Statement	Has a Due Regard Statement been completed? No – see text in main report.
Human rights Implications	ICT: This service area is unlikely to have human rights implications
Consultation Arrangements	ICT: As indicated in the main body of the report. In addition, the ICT Service has a number of user groups and departmental operational forums that meet regularly to consult on all ICT matters.