

## Executive Decision Making by an Officer with Delegated Powers

Decision to be taken by: Steve Mawson, Deputy Chief Executive and Executive Director of Corporate Resources

Pursuant to an authorisation from: Cabinet (23/06/2021): Replacement of the current SAP Enterprise Resource Planning (ERP) solution -:

*That Cabinet delegates authority to the Executive Director of Corporate Resources in consultation with the Cabinet Member for Finance and Change to:*

- 1. Seek expressions of interest from suppliers under the Crown Commercial Services Back Office Services (BOS) framework agreement (RM 6194) for the purpose of determining whether such suppliers would be interested in the opportunity to bid for the Council's proposed ERP SaaS solution contract;*
- 2. Conduct a mini-competition process under such framework agreement, in a format determined by the council with reference to the content of such expressions of interest, in respect of a call-off contract for the supply of a cloud hosted ERP SaaS solution (the "ERP SaaS Contract"). The proposed ERP SaaS Contract shall continue for an initial period of 5 years and include two extension options each 12 months in length;*
- 3. Award such ERP SaaS Contract to the preferred tenderer;*

Report title: To award a contract for an Enterprise Resource Planning (ERP) Software as a Service system

<b>The decision</b>	<p>Following the conclusion of a mini-competition process under the above-mentioned Crown Commercial Services Back Office Services (BOS) framework agreement (RM 6194) and having consulted with the Cabinet Member Cllr Stowe, Deputy Leader and Cabinet Member for Finance and Change in accordance with the Cabinet decision dated 23<sup>rd</sup> June 2021:</p> <p><b>DECISION</b></p> <p>to award a contract for the supply of a cloud hosted Enterprise Resource Planning (ERP) Software as a Service (SaaS) system to the supplier know as SAP (UK) Limited. Such contract shall continue for an initial period of 5 years and include two extension options each 12 months in length.</p>
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<b>Background documents</b>	Cabinet (23/06/2021): <a href="#">Replacement of the current SAP Enterprise Resource Planning (ERP) solution</a>
<b>Reasons for the decision</b>	<p>Gloucestershire County Council (GCC) currently runs SAP ECC 6.0 on premise, covering Finance, HR, payroll, procurement and also self-service for managers and employees. Extensive soft market testing and two comprehensive reviews confirmed that a cloud hosted ERP SaaS solution would deliver improved usability and increase the efficiency of business processes.</p> <p>On the 23<sup>rd</sup> June 2021 Cabinet delegated authority to the Executive Director of Corporate Resources, in consultation with the Cabinet Member for Finance and Change, to seek expressions of interest from suppliers and conduct a mini competition under the Back Office Services (BOS) framework agreement (RM6194) in respect of a call-off contract to supply a cloud hosted ERP SaaS and award such contract to the preferred tenderer.</p>
<b>Resource implications</b>	<p>The on-going annual revenue cost of the above-mentioned contract will be managed within existing resources. SAP's tender proposal was at a cost of £7,281,960 for the 5 year call-off contract. Extending the contract for each of the two 1 year extensions would be subject to an increase in charges that are capped at 3.3% per annum.</p>
<b>Who has been consulted?</b>	<p>Cllr Stowe, Deputy Leader and Cabinet Member for Finance and Change</p> <p>A group including representatives from Strategic Procurement, Legal Services, ICT, IMS, Finance and HR have all worked alongside the BSC to support the tendering process and agree with the recommendation to award the call-off contract to SAP.</p>
<p><b>What were their comments?</b></p> <p>SAP's response to tender has been thoroughly reviewed by all stakeholders and scored against award criteria set out in the council's Invitation to Tender.</p> <p>Relevant council support services (including Legal services) undertook a review of the terms and conditions under the BOS framework agreement and SAP UK Limited's tender in response. Through a process of clarifications by the relevant specialist support services it has been determined that the contract described in this report meets GCC's requirements.</p> <p>Steve Mawson has discussed this report with Cllr Stowe and Cllr Stowe has received a copy of this decision report. Cllr Stowe was happy to proceed.</p>	
<p><b>Background/Context</b></p> <p>GCC currently runs SAP ECC 6.0 on premise, covering Finance, HR, payroll, procurement and also self-service for managers and employees.</p>	

It has been used, with little investment, for over 14 years and now is largely considered out-dated and does not support the Council's digital strategy.

The procurement of cloud hosted ERP system will allow GCC to introduce a modern, efficient system which will transform the user experience for staff and managers and provide a range of dashboards and information upon which decisions can easily be taken to support day to day operations in line with the Council's Digital Strategy.

Moving to SAP Rise, which is the cloud based latest version of SAP's ERP software, would support the ICT strategy to move applications to cloud based solutions and hardware estate out of the data centre and there would be a cost avoidance of £0.5m which would be required to keep SAP servers running beyond December 2023.

Following the delegated authority from Cabinet an Expression Of Interest was published via ProContract setting out GCC's intention to tender for a cloud hosted SAP system, inviting suppliers to confirm their interest in bidding for the opportunity. Suppliers that expressed an interest were then invited to tender in response to an invitation to tender (ITT) detailing GCC's requirements. Only one response (from SAP (UK) Limited) was received in response to the Council's ITT.

A full evaluation of SAP (UK) Ltd's tender response has taken place, including the use of clarifications to ensure GCC's requirements have been met.

### **Alternative options considered and why they were rejected**

#### **Do nothing**

This was not considered a viable option as the current SAP system runs on servers owned by GCC in its managed data centre. Over the next 5 years these systems will be migrated to cloud in line with the council's ICT strategy. SAP is installed on a large number of these servers and is therefore a priority to de-commission. If the contract described in this report is not awarded before December 2023, £0.5m of investment would be required on hardware and operating software in order to keep the council's SAP servers running.

Moreover, in 2027 SAP will withdraw system support for the council's SAP on-premise ERP solution. Given that the UK & Ireland SAP user group have produced a white paper which has confirmed that there is already a lack of SAP related skills in the marketplace, it is GCC's concern that it will find itself competing for resources as other SAP customers' seek to move their systems to cloud based supported software, (which requires approximately 2 years' implementation time). It is therefore anticipated that the SAP skills and expertise required in order to transition to the latest software will become increasingly scarce and therefore more expensive as we approach 2027.

## Risk Analysis

There is a risk to the business that if current SAP system support is discontinued the council would be unable to deliver our operational statutory and legislative duties. This includes payments to staff, external customers (e.g. Schools, Pensioners and Police), payments to third parties such as HMRC and statutory returns to Government organisations. This procurement follows a compliant route to market using Crown Commercial Services PCR compliant frameworks and is based on external specialist I.T. legal procurement advice which considered a number of possible procurement approaches.

## Equalities considerations

The Invitation to Tender for the new SaaS specified that all accessibility requirements must be met and that there is no negative impact on staff based on disability, having received SAP's response we are satisfied this requirement was met.

The new system will enable members of staff to access their personal information, request leave, submit claims etc.

The new system will improve the collection, monitoring and reporting all protected characteristics and will continue to adhere to all data protection, privacy and security requirements.

Where required the Council will continue to make reasonable adjustments to enable any affected to use the system

## Has a Due Regard Statement been completed? Yes

Available here: <https://glostext.gloucestershire.gov.uk/documents/s72439/equality-impact-assessment%20Replacement%20of%20SAP%20ERP%20System%20v1.1%20signed.pdf>


**Has any conflict of interest been declared by any Cabinet Member consulted on the decision?**

*The council's Monitoring Officer should be consulted, in the first instance, if any conflict of interest is declared by a Cabinet Member.*

**If any conflict of interest declared, was a dispensation granted by the Audit and Governance Committee of the Council?**

No

Date of dispensation:

<p><b>Does this decision report form or any supporting papers provided contain confidential or exempt information?</b>  <i>(Refer to Democratic Services Unit for advice if necessary)</i></p>	<p>No  <i>If Yes, please provide details of document(s) that are confidential or exempt</i></p>
<p><b>Does this decision need to be published on the GCC website?</b>  <i>(Refer to guidance on “Executive Decisions taken by Officers”).</i></p>	<p>Yes</p>
<p>In coming to this decision I have given due and full regard to the requirements of the Public Sector Equality Duty contained in section 149 of the Equality Act 2010 (“the Act”) by reference to the law itself and also the relevant Due Regard Statement, which was/were prepared in accordance with the requirements of the Act.</p> <p>Having fully considered all available information, I have decided to reject any alternative options and take the recommended decision(s), for the reasons set out in this report.</p>  <p>Signed  Steve Mawson, Deputy Chief Executive and Executive Director of Corporate Resources</p>	
<p>Date 22.12.21</p>	
<p>Contact details for further information:  Officer: Cheryl Millyard, Head of Business Service Centre  Tel: 01452 324100  Email: <a href="mailto:Cheryl.millyard@gloucestershire.gov.uk">Cheryl.millyard@gloucestershire.gov.uk</a></p>	