

**Report to: Helena Phillips, Chief Officer Shared Services**

**Date: 27<sup>th</sup> November 2017**

**Subject: Request to Renew the SAP Maintenance Agreement for 2018/19**

Are specific electoral wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:		
Appendix number:		

### Summary of main issues

- Leeds City Council implemented SAP as its corporate HR and Payroll system in April 2003 following a procurement exercise and a significant and complex implementation project. As a result of the procurement exercise a contract was agreed with SAP to purchase perpetual licenses and pay an annual maintenance fee to receive on-going developments and legislative updates.
- On 22<sup>nd</sup> December 2009, 10,000 additional SAP self-service and Adobe user licenses were purchased, resulting in an overall annual maintenance fee of 22% of the total net price of the total number of licenses. Therefore since 2009 an annual maintenance fee of £297,183 has been payable.
- SAP is used to maintain HR records and pay employees in LCC, Schools, Academies and some affiliated external organisations. To date the BSC uses SAP to process over 80 monthly payrolls and maintain 40,000 employee records enabling the BSC to generate £1.6m income.
- In line with common industry practice, the software is developed and maintained as fit-for-purpose by the supplier, and for this an annual maintenance fee is payable by customers. Renewal of this maintenance fee of £297,183 is required for continued use of the software beyond its annual renewal date of 1<sup>st</sup> January 2018, this report seeks report seeks to extend the maintenance agreement for SAP for a further 12 months.
- This report seeks the Chief Officer's approval to act in accordance with agreement entered into with SAP on 22<sup>nd</sup> December 2009 and pay the maintenance fee for period 1/1/18 to 31/12/18.

### Recommendations

- The Chief Officer Shared Services is requested to:
  - Approve the payment of the annual maintenance charges for SAP in line with the original agreement as signed in 2009.

## **1. Purpose of this report**

- 1.1 The purpose of the report is to seek approval from the Chief Officer of Shared Services to renew the maintenance agreement with SAP for the period 1/1/2018 to 31/12/2018 in line with the agreement with SAP at a cost of £297,183.

## **2. Background information**

- 2.1 The Council uses SAP as its corporate HR and Payroll system. It was implemented in April 2003 following a corporate procurement exercise and a significant and costly implementation project.
- 2.2 SAP is currently licensed under a Licence Agreement signed on 22<sup>nd</sup> December 2009, which allows for an annual service charge for continued use of the product. Regular checks are undertaken to ensure that the licenses purchased are still required and appropriately used. Leeds City Council also participates in the Public Sector SAP User Group who collectively provides an ongoing challenge to SAP regarding maintenance charges.
- 2.3 The software is regularly developed and updated by the supplier to meet user and legislative and end user requirements.
- 2.4 SAP is used widely across the Council and also used by a large proportion of our external customers (schools and academies), with over 9,500 active users.

## **3. Main issues**

- 3.1 Through its long and widespread use, SAP is heavily embedded within key HR and Payroll business processes; any change of supplier will have significant impact on resource requirements and disruption across the Council. A change of such a key system would require an extensive procurement exercise as well as a significantly sized project team supported with external consultancy to resource and manage the implementation.
- 3.2 SAP is meeting the current needs of the business and is continuing to be developed to achieve efficiencies and budget savings targets.
- 3.3 To ensure continuing best value, the market will need to be re-visited in the future however this would need to be a corporate strategic decision aligned with priorities as significant financial investment would be required.

## **4. Consequences if the proposed action is not approved**

- 4.1 If the SAP maintenance charge is not paid for next year, we would not receive the end of year patches and legislative updates required to process accurate and compliant Payrolls for next financial year. This would have a significant detrimental impact on the Council and its staff (none of whom would be paid correctly and in accordance with HMRC regulations), and we would not be able to provide services to our traded customers – many of whom are schools within Leeds.

## **5. Corporate considerations**

### **5.1 Consultation and engagement**

- 5.1.1 Consultation was undertaken at the time of the original key decision to purchase the software therefore no further consultation is required to continue to pay the ongoing maintenance fee details of which was included in the original agreement.

### **5.2 Equality and diversity / cohesion and integration**

5.2.1 An equality impact screening exercise has been undertaken (copy attached at Appendix I), this concluded that there is no adverse impact on Equality, Diversity, Cohesion and Integration.

### **5.3 Resources and value for money**

5.3.1 Provision has been made in the revenue budget for Shared Services. The overhead of the maintenance fees are taken into account when calculating the charges for our external customers to ensure the income generated covers an appropriate proportion of the cost.

### **5.4 Legal implications, access to information, and call-in**

5.4.1 This report is a significant operational decision and is not subject to call in. There are no grounds for treating the contents of the report as confidential with the Council's Access to Information rules.

### **5.5 Risk management**

5.5.1 The main risk to the Council is the non-approval of this request to renew the maintenance fee. This would render the Council's Payroll software solution as not-fit-for-purpose and would result in the inaccurate salary payments of staff salaries and non-compliance with HMRC regulations.

## **6. Conclusions**

6.1 Given that significant investment has been made in SAP with the purchase of perpetual licenses and the fact it continues to meet business needs and there are no immediate drivers or strategic corporate plans to change, approval to pay next years' maintenance fee is considered the right approach to meet the current needs of the Council.

## **7. Recommendations**

7.1 The Chief Officer Shared Services is requested to:

- (i) Approve payment of the annual maintenance fee of £297,183 for period 1/1/18 – 31/12/18.