


<b>Individual Mayoral Decision</b> 3rd March 2017	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Zena Cooke – Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Title:</b> Renewal of SAP Business Objects (BO) Licencing-Annual Support Fees	

<b>Lead Member</b>	<b>Councillor David Edgar, Lead Member - Resources</b>
<b>Originating Officer(s)</b>	Peter Ransom – Divisional Director IT Nadira Hussain - Head of IT Client Team
<b>Wards affected</b>	All
<b>Key Decision?</b>	No
<b>Community Plan Theme</b>	<b>One Tower Hamlets</b>

## 1. Executive Summary

- 1.1 The Council had been 'under-licenced' with SAP for Business Objects (BO) for a number of years. BO is the reporting software that we use to help us extract the necessary management information required by the services that use this tool. A legal settlement agreement was reached with SAP in September 2014, and the Council has been paying £201,157 annual support fees to SAP since then.
- 1.2 The Council has been rationalising the use of BO across the various services, however, this has been a slow process as the Council uses BO for large tier 1 critical systems as follows:-
- Social Care SAP Business Objects
  - Northgate: SAP Business Objects
  - Oracle Siebel CRM: SAP Business Objects including Northgate HR Arinso
- 1.3 The i-casework system has partly replaced Oracle SAP CRM functionality at a cost of £122K for areas such as FOI, members' enquiries and complaints, but Customer Access, Pest Control and some services within the previous D&R Directorate still depend on the Siebel CRM and use its associated BO reports.
- 1.4 Hundreds of Business Objects users across Customer Access, Housing, Social Care and HR use thousands of reports as per Appendix A. Social Care are interested in widening the use of BO in Adults services to improve their management information.

- 1.5 Through the process of rationalisation, we are now down to 278 users (as per appendix B) and expect to have around a few hundred reports following on from some further review and reduction of the use of reports.
- 1.6 The Head of Corporate ICT Client Team has discussed SAP BO renewal at the January 2017 Monthly Operations Meeting [MOM] (that has key representatives from the Directorates, THH and Agilisys). The consensus of opinion was to stay with BO for two years as the product is well embedded in the organisation and integrated with key line of business (LOB) applications such as Northgate Housing and Core Logic in Social Care. To change Housing and Social care LOB applications would be very labour intensive and expensive in terms of capital costs of replacement software. According to CCS some 100 local authorities/public sector organisations have licencing arrangements with SAP BO and are heavily reliant on it and are all looking into alternatives that will put pressure on LOB suppliers to have BO replacement products in place and integrated into the applications over coming 24 months.
- 1.7 Also according to recent Gartner reports, agile Business Intelligence (BI) and analytic tools such as those of Microsoft are beginning to replace enterprise wide legacy reporting tools such as BO (see appendix B). Therefore in two years' time, it may be easier and cheaper to replace SAP BO as LOB application suppliers are likely to align their software with Microsoft BI and analytic tools as these products become more widespread and mature.
- 1.8 A high level cost/benefit has been undertaken by the Client Team which also supports the decision to continue with BO at this stage as per table below.

Option 1		Option 2	
Continue with SAP BO	Cost £	Replace the system with alternatives by 2018	Cost £
Capital costs (software)	-		500,000
SAP annual maintenance (2018 only)	211,000		211,000
Annual maintenance fees [2019-2020]	422,000		200,000
SAP Upgrade one off	215,000		215,000
Training	-		50,000
Appraisal, Migration and Implementation	-		248,000
<b>Total Cost over 3 years</b>	<b>848,000</b>		<b>1,424,000</b>

Full details of cost benefit are provided in Appendix C (see attached).

- 1.9 The Council had been liaising with Crown Commercial Services (CCS) since January 2016 on a Memorandum of Understanding and Framework Agreement that would have potentially offered government discounts. However, these negotiations between CCS and SAP broke down recently, as SAP does not wish to offer special framework discounts. Alternatives have been looked into, re-tendering for new products is not cost-effective. Re-

tendering for the same product with SAP resellers will cost more as SAP fixes the price of the product and going to re-sellers for these products will increase costs as resellers will add both their margins and product inflation since Sept 2014.

- 1.9 Using Agilisys to procure will cost us £211,214 per annum avoiding direct award to SAP. It also eliminates the administration of cost of procurement.

## **2. Recommendations:**

The Mayor is recommended to:

- Approve the award of contract for SAP BO for the next two years.
- Authorise the Corporate Director of Resources, after consultation with the Acting Director of Governance and Interim Monitoring Officer, to execute and enter into all necessary agreements.

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### Consultation and Version Control

[Please state version number and all changes must be tracked or report will not be accepted]

<b>Version Number</b>	1.0 [Please update]	<b>Version Date</b>	24/02/17
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Name	Title	Date Consulted	Date Cleared	Version
Zena Cooke	Corporate Director			
Neville Murton	Department Finance			
Graham White	Legal Services			

### Decision Type

Key Decision?	Urgent Decision?	Exempt from Call-In?	Restricted Report or Partially Restricted (e.g. appendix)?
No	Yes?	No?*	Yes? Appendix

\*If the answer is yes make sure the forthcoming decision on the website states this or else the decision cannot be taken.

Further details on the procedure for Urgent Decisions can be found in the [Intranet Library](#) and the What to Do with Your Decision If [guidance note](#).

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### **3. REASONS FOR THE DECISIONS**

- 3.1 As the renewal is required to meet our obligations with the legal agreement between SAP and LBTH for the continued use of the software and the licencing arrangement is currently set until we cease to use BO software entirely, the ICT SCB is being recommended to:
- 3.2 Approve the continued renewal of SAP licences at 2014 prices for a further two years as per Appendix A, through our strategic partner Agilisys.

### **4. ALTERNATIVE OPTIONS**

- 4.1 An alternative of replacing SAP by 2018 was considered but ruled on basis of consultation with stakeholders, Commercial Crown Services and best value as per above and appendix C.

### **5. DETAILS OF REPORT**

- 5.1 Our Partner is working with us to prepare for an upgrade of the current version of the BO software – this needs to be done to ensure that we are legally compliant and so that we have access to up-to-date functionality. We are using this opportunity to further rationalise our reports. However SAP do not allow partial cancellations of any part of a renewal. SAP insists customers either maintain or cancel ALL products on the contract.
- 5.1 Having consulted with the services and our Partner and assessed the costs and benefits of the current reporting solution, it is advisable to continue with the current solution for at least the next two years.

### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 The report requests approval to renew the current contract with SAP for the provision of BO licences. The annual value of the contract is £201k plus £10k for management fee to Agilisys to support the procurement process. The contract will cover Q4 of 2016/17 and Q1-3 of 2017/18. The cost for 2016/17 can be contained within existing budgets for software licences and the element for 2017/18 will be met through the ICT growth bid submitted as part of the 2017/18 budget.

### **7. LEGAL COMMENTS**

- 7.1 This report concerns a proposal to enter into a contract with SAP for Business Objects reporting software (the Services) through the Council's ICT partner Agilisys.
- 7.2 The Council has power to enter into a contract for a third party to deliver the Services which arises by virtue of section 111 of the Local Government Act

1972, providing the power enabling the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. Under section 1 of the Localism Act 2011, the Council has the power 'to do anything that an individual may do' 'for the benefit of the authority, its area or persons resident or present in its area'. The Council may be satisfied that it has the enabling power(s) to enter into a contract for the Services.

- 7.3 The subject matter of the Services falls within the description of Part 2 of the Public Contracts Regulations 2015 (Regulations) and the estimated value of the contract (circa, £412,000) exceeds the relevant threshold contained in the Regulations. In view of this the Council would ordinarily be required to fully comply with the Regulations and to subject the Services to a level of competition to ensure compliance with the principles of transparency and equal treatment. In addition, the Council would be ordinarily required to place an advert in the Official Journal of the European Union (OJEU) together with a further notice in the OJEU when a contract is awarded, amongst other things.
- 7.4 In July 2016 the Council amended the Operational Services Agreement (OSA) with Agilisys which enables the Council to competitively tender for goods and services through Agilisys using a 'procurement support framework' (PSF). It should be noted that the recommendation in this report is not necessarily seeking authorisation for the Council to use the PSF, rather, for Agilisys to enter into a contract for the Services on the Council's behalf without Agilisys conducting a procurement exercise. Through the PSF the Council is still required to demonstrate that it can obtain value for money and comply with principles such as equal treatment and transparency through Agilisys as its agent. Notwithstanding the fact that in these circumstances the Council would not be entering into a contract directly with SAP, it would be likely regarded as a direct award and suppliers within the market place could argue that the Services should have been procured pursuant to the Regulations.
- 7.5 In light of paragraph 7.4, it is necessary to apply the Council's procurement procedures (Procedures) to determine whether any grounds for waiving tendering rules exists. The ground which could be relied upon is 12.1(a) of the Procedures which states that a waiver is permissible where "the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and has demonstrated that only a single source of supply is available, or it is otherwise clearly in the Council's interest to do so".
- 7.6 Reasons are provided in the report as to why it may be considered appropriate to deviate from the Council's Procedures, which may be summarised as follows:-
- given that the OSA expires in March 2019 and the Council is uncertain as to its future ICT provision, procuring a solution in the interim may entail that any replacement product would not be compatible or capable of being efficiently mobilised at the time the Council's ICT provision becomes known resulting in wasted effort, costs and resource;

- the Council has conducted preparatory work with reference to potential current costs and intends to review its options and conduct a public procurement once the Council's future ICT service provision is formalised;
- the figures proposed by SAP would entail the Council avoiding any inflation costs therefore the likely results of any procurement exercise would represent significant additional costs;
- tendering would create capacity issues for the Corporate Client Team, Council ICT Teams and Agilisys as migration and implementation will be very labour intensive within the context of an existing programme of significant and crucial transformation initiatives being undertaken;
- a new product would not fully replace SAP BO and given that it is deeply imbedded into key lines of business, the Council's requirements will not be fully met resulting in continuity of service issues which could affect frontline services
- the Council was awaiting the conclusion of the Crown Commercial Services (CCS) attempts to procure SAP BO through a framework agreement with a view to offering Government discounts but that has collapsed and therefore it was not the Council's intention to avoid competition;
- the Council has conducted a financial assessment of the market place which would appear to demonstrate value for money in the interim; and
- for the reasons stated above, it is arguably in the Council's best interests to enter into a new contract for the Services.

7.7 Notwithstanding the fact that the Council may use Agilisys through the PSF, there is a risk of challenge to the proposed contract award for alleged non-compliance with the duties outlined in paragraph 7.5. As such, the Council could be subject to a challenge from an organisation which has not had the opportunity to tender for the Services together with a damages claim and, the purported contract could be annulled. This could leave the Council at risk of a subsequent challenge by the organisation who considered that they had entered into a good contract with the Council. Also a decision of the Council not to procure the Services may also lead to allegations that the Council is failing to comply with European law in relation to public procurement, particularly principles such as equal treatment and transparency and non-discrimination under the Treaty on the Functioning of the European Union. This may expose the Council to scrutiny from the Cabinet Office and further, to the imposition of financial penalties by the European Commission.

7.8 The risks highlighted in paragraph 7.7 is lessened as the Council has, arguably, pragmatic reasons for requiring a new contract and has some basis, by reason of the preparatory steps taken, that it is not the Council's long term intention to avoid competition. It is advisable that further options are prepared and developed at least 12 months prior to the Council's ICT future strategy being formalised to ensure that sufficient time is allowed for a potential procurement of the Services and to align it with the end of the contract entered into with SAP.

7.9 It should be noted that under the Council's Procedure section 12.8, waiver of the Procedures and directly awarding a contract (as sought by this report) for

contracts in excess of £250,000 can only be made by a decision of the Cabinet.

- 7.10 The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." The Council would need to be satisfied that entering into a contract with SAP BO would represent best value in the circumstances
- 7.11 When considering its approach to contracting, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). Officers are expected to continuously consider, at every stage, the way in which procurements conducted and contracts awarded satisfy the requirements of the public sector equality duty. This includes, where appropriate, completing an equality impact assessment which should be proportionate to the function in question and its potential impacts.

## **8. ONE TOWER HAMLETS CONSIDERATIONS**

- 8.1 The revised arrangements will indirectly support the delivery of the Council's One Tower Hamlets objectives in particular supporting the enabling objective of creating a transformed Council, making best use of resources and with an outward looking culture.

## **9. BEST VALUE (BV) IMPLICATIONS-Comments of the Chief Finance Officer**

- 9.1 Alternative options' of procuring the BO licences directly from SAP or procuring alternative replacement products have been explored. The additional costs associated with these alternative options mean that the renewal option recommended within this report represents the most cost effective solution within the timeline (2-3 years) and under the current circumstances (ICT Road Map). The replacement option is significantly more expensive due to the additional capital investment and conversion costs that are deemed to be required and a further analysis of this option and potential costs involved are provided in Appendix C

## **10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

N/A

## **11. RISK MANAGEMENT IMPLICATIONS**

- 11.1 We are reducing any further risks associated with providing this functionality through appointing our Strategic Partner as the vehicle for procuring the reporting capability for the Council. The reason being, we were able to quickly



transfer the responsibility for the procurement via an alternative channel. Also, we now have the opportunity to ensure that we have factored in sufficient time to test the marketplace and to procure more cost effective and suitable other options.

## **12. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 12.1 Having access to the relevant and appropriate information through the use of the BO reporting functionality allows the Council to ensure that we are reducing/managing our crime and disorder episodes. This in turn would help to safeguard the people who live in, visit or work in our Borough.

## **13. SAFEGUARDING IMPLICATIONS**

- 13.1 The management information that is made available using the BO functionality will enable the Council to have access to relevant and timely information to support informed decision making and to ensure our resources are being targeted effectively.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- Strategic Commissioning Report

#### **Appendices**

Already included as part of the report

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE.

#### **Officer contact details for documents:**

Khaled Hussein, Contracts & Performance Manager, Corporate Client Team

## Appendix A- BO User Analysis

Contact details		Licences	Reports
LBTH Team	Team lead	No. of BOs	Total No. of Reports
BOXI R3 used by apps: Northgate Housing, Northgate Benefits and Comino	Tony Green Chris Smith Rafiqul Hoque Lorraine Douglas Colin Hartshorn Tasleem Baig	259	8743
CRM	Herc Reis	1020	800
Social Care IT and Statistics Team	Alan Olisa	212	2159

### Market Guide for Enterprise-Reporting-Based Platforms

**Published:** 16 February 2016 **ID:** G00297567

**Analyst(s):**

Rita L. Sallam et al

#### Summary

This Market Guide features key enterprise-reporting-based platforms used by data and analytics leaders to build large-scale systems-of-record reporting systems and embedded applications. They are currently dominated by IT-centric platforms, but many will be replaced by modern BI platforms over time.

#### Overview

##### Key Findings

The business intelligence (BI) and analytics market is past the tipping point of a multiyear transition to modern BI platforms, but many companies still use IT-centric enterprise-reporting-based platforms for large-scale systems of record reporting, deployed centrally by IT. Some may never be migrated due to the introduction of unnecessary risk for marginal gain.

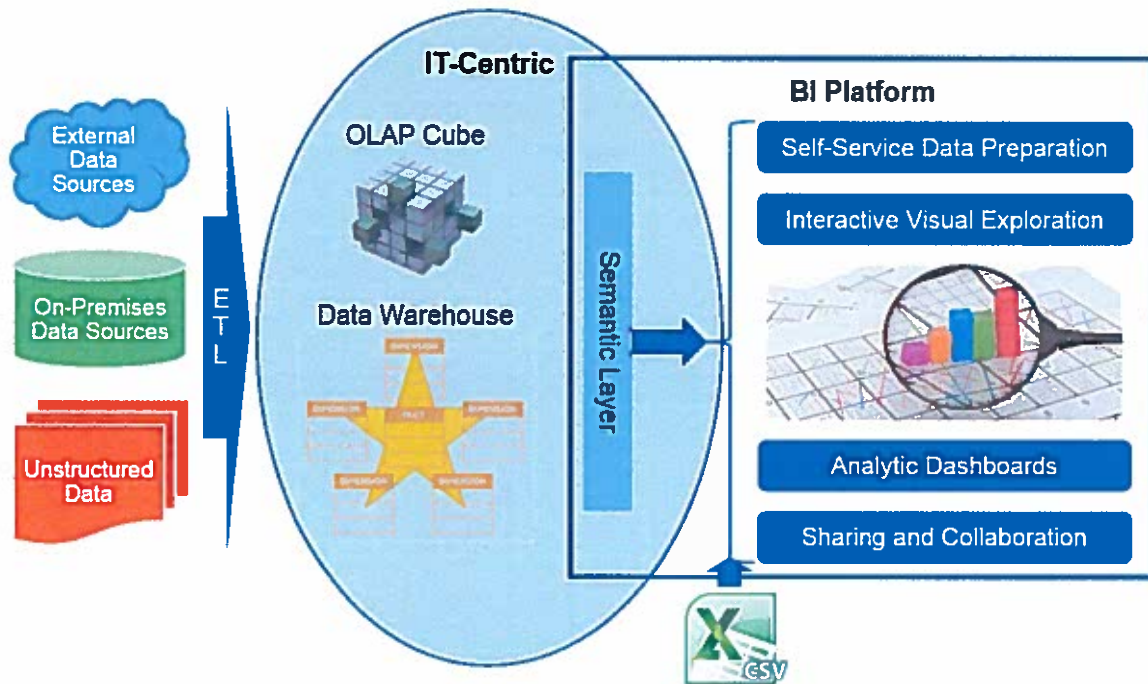
An enterprise-reporting-based platform includes capabilities to create and distribute trusted, sanctioned and highly controlled production reports, ad hoc queries and dashboards, based on premodelled data and a predefined semantic layer. This content can be distributed to large numbers of users in an enterprise, to customers or embedded in applications.

While traditional IT-centric platforms dominate enterprise-reporting-based deployments today, an increasing number of modern BI platforms will support enterprise-reporting-based use cases. Many IT-centric vendors are evolving to offer more modern capabilities, improving agility and time to insight of their enterprise reporting solutions.

##### What Is an Enterprise-Reporting-Based Platform?

An enterprise-reporting-based platform includes capabilities to create and distribute trusted, sanctioned and highly controlled and guided production reports and dashboards to large numbers of users in an enterprise, to customers, or embedded in applications. It is most often deployed against a well-modelled data warehouse and/or data mart, including an optimization layer featuring online analytical processing (OLAP) cubes. It also requires a reusable semantic layer to give content authors consistent and governed access to data sources, metrics and other data definitions such as hierarchies and groups (see Figure 1).

**Figure 1. Overview of Enterprise-Reporting-Based Platforms**



BI = business intelligence; ETL = extraction, transformation and loading; OLAP = online analytical processing

Source: Gartner (February 2016)

The BI and analytics platform market is in the final stages of a multiyear fundamental shift.

As a result, the modern BI and analytics platform has emerged to meet new organizational requirements for accessibility, agility and deeper analytical insight. To drive value, the modern platform must not only leverage a diverse array of data sources and expand access to a range of users across the enterprise, but it must also assure adequate governance of self-service content.

Modern BI and analytics platforms are assessed in Gartner's "Magic Quadrant for Business Intelligence and Analytics Platforms."

In a modern BI and analytics platform, IT enables and supports the process of developing analytics content by providing sanctioned and trusted datasets and metrics, supplying enterprise content for reuse, and defining processes for certifying and promoting user-generated content to the system of record.

Table 1 provides a high-level comparison of IT-centric enterprise-reporting-based platforms and modern BI and analytics platforms.

**Table 1.** Summary of Differences Between Traditional Enterprise-Reporting-Based Platforms and Modern BI and Analytics Platforms by Analytics Workflow Component

<b>Analytics Workflow Component</b>	<b>Enterprise-Reporting-Based Platform</b>	<b>Modern BI and Analytics Platform</b>
Data source	Upfront dimensional modelling required (IT-built star schemas)	Upfront modelling not required (flat files/flat tables)

**Table 1.** Summary of Differences Between Traditional Enterprise-Reporting-Based Platforms and Modern BI and Analytics Platforms by Analytics Workflow Component

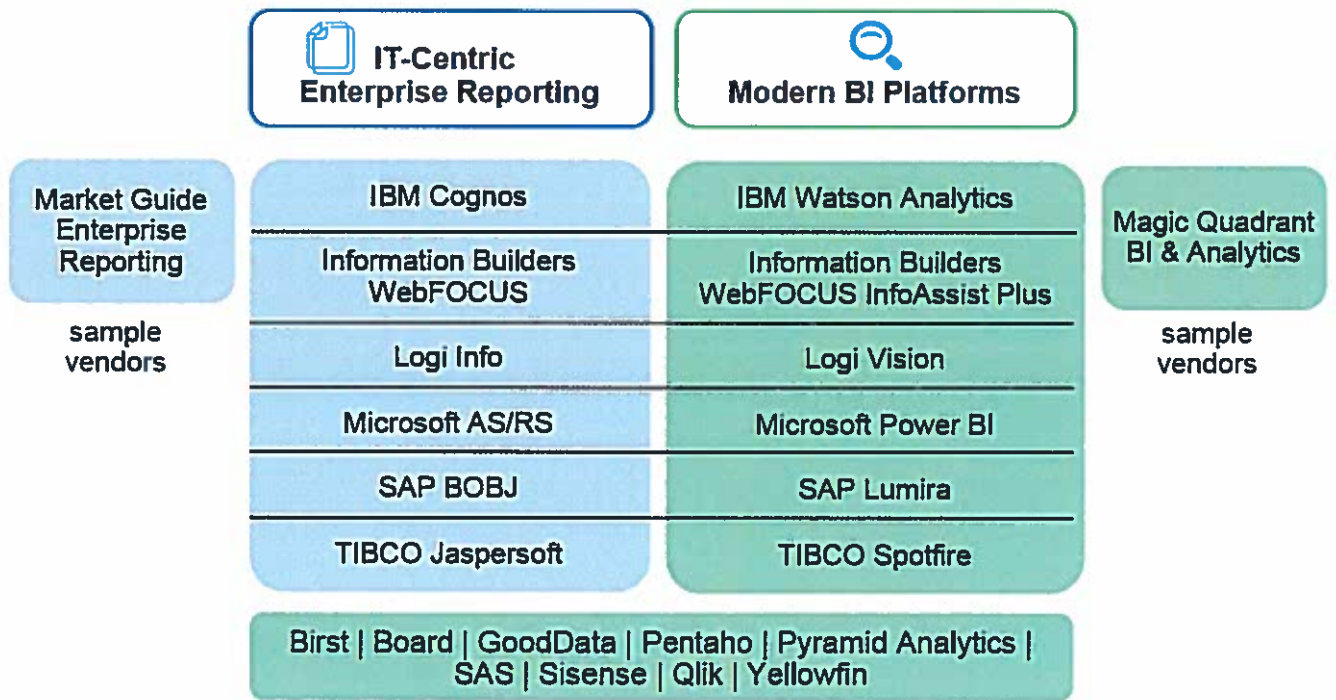
<b>Analytics Workflow Component</b>	<b>Enterprise-Reporting-Based Platform</b>	<b>Modern BI and Analytics Platform</b>
Data ingestion and preparation	IT-produced	IT-enabled
Content authoring	Primarily IT staff, but also some power users	Business users
Analysis	Structured ad hoc reporting and analysis based on a predefined model	Free-form exploration
Insight delivery	Distribution and notifications via scheduled reports or a portal	Delivery via sharing and collaboration, storytelling, and open APIs

*Source: Gartner (February 2016)*

This Market Guide features representative vendors that serve the mature, IT-centric market for enterprise reporting and analysis. It is important to note that some vendors featured in this report have **different** modern BI platform offerings featured in the above MQ.

A number of modern BI platform vendors covered in the MQ provide support for most, if not all, enterprise-reporting features, but in an agile way. They are increasingly being used for enterprise reporting — Birst, Board, GoodData, Pentaho, Pyramid Analytics, SAS, Sisense, Qlik, and Yellowfin are the most pervasive. Figure 2 shows an overview of vendors and products supporting enterprise reporting. The vendors and products highlighted in green are covered in research in "Magic Quadrant for Business Intelligence and Analytics Platforms." Vendors and products highlighted in blue feature in this Market Guide.

**Figure 2.** Categorization of Modern and IT-Centric Enterprise-Reporting-Based Platforms



BI = business intelligence; Microsoft AS/RS = Microsoft Analysis Services/Reporting Services; SAP BOBJ = SAP Business Objects BI

Source: Gartner (February 2016)

### Appendix C - Options Cost/Benefit Analysis

Descriptions	Option 1	Option 2	
	Continue with SAP BO - next 3 years	Replace the system with alternatives	
<b>Immediate action required</b>	Sign over contract to Agilisys	Requires Scoping initiation Document (SID) with options appraisal with view to replacement of SAP BO by end of December 18.	
<b>Benefits</b>	Cost profile known i.e. £211K p.a.	Replacement cost is estimated to have lower annual maintenance fees Circa 100K .	
	No new capital investment needed		
	SAP BO well embedded in the council/ BO is deeply integrated into Line of Business (LOB) apps (e.g. Northgate, Core Logic.) hence most acceptable option to depts.		
	This options allows us to get a return on SAP BO upgrade at £215K that is planned to take place during next few months for licence compliance .		
	We have readily skilled and trained user base in the SAP BO reports and universes.		
<b>Disadvantage</b>	High annual support fees £211K p.a. Additional one-off upgrade cost £215k for compliance irrespective of option we take.	New capital investment could be needed in new products portfolio circa £500k. (The capital cost of SAP software we use was £918K which is a sunk cost as a benchmark).	
	Total Cost for 3 years = £211 x 3yrs [2018 -2020] Plus one off £215k = £848K	LOB Application integration would be an issue as Northgate in Housing and Core Logic Framework I in Social care support BO as their standard reporting tool set. Their LOB application lifecycle including upgrades are done to cater for embedded BO.	
		Option Appraisal, Migration and implementation of SAP replacement will be very labour intensive, about 300 days estimated (the planned upgrade of BO from one version to another will take 255 days as a benchmark).	
		The risk that the replacement product does not fully replace BO by December 2017, hence having to pay £211K to SAP in 2018 as payments are due to SAP even if the environment partly used. There is no refund for reduced usage.	
		Would not get return on SAP BO upgrade at £215K which is planned to take place during next few months (committed sunk costs)	
		Replacing Housing or Social; Care LOB applications would be very expensive and labour intensive.	
		Users require training	
		Capacity issue for Corporate Client Team, Council ICT teams and Agilisys given other priorities	
<b>Costs breakdown</b>	<b>Details</b>	<b>£</b>	<b>£</b>
	Capital costs (software)	-	500,000
	SAP annual maintenance (2018 only)	211,000	211,000
	Annual maintenance fees (2019-2020)	422,000	200,000
	SAP Upgrade one off	215,000	215,000
	Training	-	50,000
	Appraisal, Migration and Implementation	-	248,000
<b>Total Costs</b>		<b>848,000</b>	<b>1,424,000</b>

