

Two year extension of the Fujitsu Services Ltd Transforming Corporate Systems Contract

Forward Plan reference number: FP/416/04/19

Report title: Two year extension of Fujitsu Services Ltd Transforming Corporate Systems Contract	
Report to: Councillor Susan Barker, Cabinet Member for Customer, Communities, Culture and Corporate	
Report author: Jason Kitcat, Executive Director, Corporate Development	
Date: 16 May 2019	For: Decision
Enquiries to: Suzanne Cannon, Supplier & Service Assurance Manager, Technology Services or Tracey Kelsbie, Chief Operations Officer, Technology Services	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 To seek approval to award a two year extension to the Transforming Corporate Systems ("TCS") contract with Fujitsu Services Ltd ("Fujitsu") dated 14th July 2014. The extension to commence 14th July 2019 when the current term expires.

2. Recommendations

- 2.1 Agree to extend the current TCS contract with Fujitsu for a two year term from 14th July 2019 to 13th July 2021 at a total cost of £3,211,518 on the basis of the changes to the contract set out in paragraph 6.1.

3. Summary of issue

- 3.1 Essex County Council (ECC) has a contract for a fully hosted, managed service in place with Fujitsu for systems and services required by ECC staff, schools and Essex Citizens (known as TCS). These systems support areas such as; general ledger, accounts payable and receivable, cash management and bank reconciliation, purchasing, payroll, HR, financial modelling and forecasting, reporting, Pcard, risk management and recruitment. This contract was originally awarded for a five year term and provided ECC with an option to extend for a period of up to two years.
- 3.2 Fujitsu are consistently meeting contractual key performance indicators (KPIs) and Service Level Agreements (SLAs) and are providing a stable and reliable service under the provisions of the current contract.
- 3.3 The initial five year contract term is due to expire on 13th July 2019. Contract extension and re-negotiation discussions have been taking place with Fujitsu since November 2018 with a view to mutually identifying and agreeing changes that will reduce costs but continue to drive efficiencies. The decision on whether to extend rests solely with ECC.

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- 3.4 During the two year contract extension period ECC will be undertaking a separate project of work to clarify the strategic direction for TCS, revise ECC's requirements and mobilise a programme to prepare for exit from the Fujitsu contract and plan for retendering, and further explore options which will bring about savings and efficiencies under the contract.
- 3.5 In June 2018, key stakeholders sponsored a working group representing a broad cross section of the organisation, to determine the full extent of the challenges posed by the current technology solution, identify options for moving forward and recommend a preferred option. The research was used to generate ideas for addressing the underlying problems and identified four options to be appraised as follows:
- Option 1 - Renew and Improve
 - Option 2 - Redefine
 - Option 3 - In-source
 - Option 4 – Re-tender
- 3.6 Following workshop discussions, a survey sent to end users/budget holders and Line Managers, one-to-ones with key stakeholders and collective appraisal of the options, the group recommend tactical and strategic planning through a blend of option 1 (renew & improve), option 2 (re-define) and option 4 (re-tender). The group presented its findings and recommendations and agreed to seek approval to proceed as detailed below;
- Extend the current contract with Fujitsu for the full 2 year period
 - Identify areas where costs savings and improvements can be made and enact these via the Contractual Change Control process.
 - Continue with plans to formalise the Continual Service Improvement (CSI) approach, incorporating feedback from the discovery exercise
 - Clarify the strategic direction for TCS at ECC and revise the current TCS offering to reflect that
 - Mobilise a programme to prepare for exit and plan for retendering
- 3.7 The discovery exercise recognised a shift in the dynamic with the supplier and a collective ambition to drive improvement. There are pockets of positivity around elements of TCS which it seems logical to preserve. A wealth of suggestions (technical and non-technical) to inform an improvement plan have been collected and an engaged representation of the user-base has been identified through this exercise, which could be harnessed for further insight.
- 3.8 It is clear, however, that the longer-term approach to TCS should be considered now, to learn the lessons from previous experience and ensure ECC is well positioned to take advantage of developments in the market. Considering the timescales of the last project, the working group recommend working back from the forecast end date of the re-negotiated contract to prepare for change as early as possible.

4. Options

Option 1 – Do Nothing

- 4.1 If ECC choose to not extend the contract with Fujitsu, then ECC will have no ability to undertake core business critical activities both internally and externally. These activities include payroll services, taking payments from customers, placing orders with and paying suppliers. It will be required to undertake a full procurement for a new TCS service which would be difficult to achieve within the current timescales.

Option 2 – Extend the current contract for a period of two years (preferred option)

- 4.2 Taking into account the lessons learnt and the challenges/timescales of the last project which saw the implementation of TCS, along with the need to clarify ECC's strategic direction and mobilise a programme, this is the only option available which will provide adequate time for these activities to take place. There have been a number of technology developments in the market which would bring a reduction in running costs so ECC need to further review these in line with its revised requirements.

Option 3 – Extend for a period less than two years

- 4.3 This option was considered but for the reasons quoted in Option 1 and described in section 3.8, it was deemed that ECC needed the full two year extension in order to source and implement a replacement to TCS.

5. Next steps

- 5.1 If the recommendation in this report is approved, Technology Services will agree a contract change notice and secure an extension of the existing contract with Fujitsu until July 2021.
- 5.2 Where future savings and efficiencies are identified, these will be reported in accordance with ECC's governance process for consideration and approval.

6. Issues for consideration

6.1 Financial implications

- 6.1.1 As per Schedule 7.1 (Charges and Invoicing) of the existing contract, plus inclusion of existing accrued ongoing support and maintenance costs incurred due to changed/developments made to the system, below details the maximum anticipated costs for Years 6 & 7.

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Table 1: Fujitsu 2 year Contract Extension Costs (July 2019 to June 2021)

	2019/20	2020/21	2021/22	Total
	£	£	£	£
Base Contract Maintenance and Support	398,027	530,702	132,676	1,061,404
Contract Additions Maintenance and Support	807,061	1,074,442	268,611	2,150,114
Total	1,205,087	1,605,144	401,286	3,211,518
Budget available (pro-rated to align with contract timelines)	1,152,750	1,537,000	384,250	3,074,000
Budget Pressure (see note)	52,337	68,144	17,036	137,518

6.1.2 From 2019/20, Technology Services are incurring an on-going budget pressure associated with the Fujitsu contract for TCS; within the contract extension, this pressure amounts to £68,144 per annum, with a part-year effect of £52,337 in 2019/20.

6.1.3 Technology Services are reviewing options for managing this pressure within their existing budget. To mitigate the impact in 2019/20, Technology Services have requested a carry forward of an underspend from 2018/19 in the Provisional Outturn Report due to be considered on the 28 May 2019 (FP/386/03/19). Any additional savings and efficiencies identified will assist in the further management of this pressure.

6.2 Legal implications

6.2.1 ECC is a contracting authority for the purposes of the Public Contracts Regulation 2015 and must ensure that it complies with the provisions when modifying contracts during their term.

6.2.2 The terms of the contract entered into between ECC and Fujitsu on 14 July 2014 expressly allow ECC to extend the contract by a period of up to two years. The contract variation therefore falls within regulation 72(1)(a) of the Public Contract Regulations 2015.

7. Equality and Diversity implications

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

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7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8. List of appendices

8.1 Appendix 1 – EqiA has been submitted and approved electronically.

9. List of Background papers

9.1 None

I approve the above recommendations set out above for the reasons set out in the report.	Date 30/05/19
Councillor Susan Barker, Cabinet Member for Customer and Corporate	

In consultation with:

Role	Date
Executive Director for Corporate Development Jason Kitcat	9/04/2019
Executive Director for Corporate and Customer Services (S151 Officer) Nicole Wood on behalf of Margaret Lee	21/05/19
Director, Legal and Assurance (Monitoring Officer) Kim Cole on behalf of Paul Turner	16/05/2019