

<b>Item No.</b>	<b>Classification:</b> Open/	<b>Date:</b> 16 April 2019	<b>Meeting Name:</b> Strategic Director of Housing and Modernisation
<b>Report title:</b>		Gateway 3 – Variation Decision IT Managed Services – Capita Secure Information Solutions Limited ( Data Hosting and Bulk Printing)	
<b>Ward(s) or groups affected:</b>		Not applicable	
<b>From:</b>		Head of IT & Digital Services	

### RECOMMENDATION(S)

1. That the Strategic Director of Housing & Modernisation approves the extension of the IT Managed Service contract with Capita Secure Information Solutions Limited (Capita) for data centre hosting, bulk printing and SAP support desk services for a period of 12 months with effect from 1 May 2019, with an option to extend the data centre hosting element by a further 6 months on a month by month basis at a maximum cost (if the full 6 month option is used) of £991,704.

### BACKGROUND INFORMATION

2. A Gateway 3 report was approved by the Strategic Director of Finance and Governance on 20 September 2016 to allow extension of the IT Managed Service contract beyond 31 October 2017 for a period of up to 18 months for a hosting service with the remaining elements of the managed service terminating. This covered the transfer of IT services to a shared service arrangement with the London Boroughs of Brent and Lewisham.
3. On the 31 October 2017 the Head of IT and Digital Services approved an extension via a Gateway 3 report of the SAP support and bulk print elements contained within the IT Managed Service contract. A bulk print service is provided under the contract for a secure print and mail service for the Council covering requirements in Libraries, Finance and Housing. An extension of one year with effect from 1 November 2017, with provisions to extend for a further 6 months was approved to provide continuity whilst the new shared service arrangement reviewed requirements across the three boroughs.
4. An interim agreement has been in place to provide SAP support desk services since March 2018 under the existing, underlying ICT contract with Capita. The SAP support service provides additional management support for the SAP product, providing additional capacity and technical expertise on a flexible basis to the Southwark SAP Team.
5. The extensions noted in paragraphs 2, 3 and 4 above are due to expire on 30 April 2019.

## **KEY ISSUES FOR CONSIDERATION**

### **Key Aspects of Proposed Variation**

6. Whilst there are no additional extension provisions in the original contract, the parties are free to agree an extension of the service before the current provision expires.
7. The migration of data centre hosting is undergoing an options appraisal where the two remaining options both can be implemented within this 18-month extension.
8. The estimated cost for the data centre hosting element is £655,704 further details of which are contained in the closed report . The number of racks required will reduce over the extended period resulting in a lower figure.
9. The bulk printing service is used by a number of departments on an 'ad hoc' basis for essential services such as exchequer services, housing and libraries. A detail of the printing currently undertaken for each department is included as Appendix A.
10. The bulk printing service is being replaced by a blend of other contracts and a joint contract with the SICTS planned to be in place in the next 12 months.
11. The SAP Support agreement includes 5 days a month of flexible and tailored support further detail so which are contained in the closed report.

### **Reasons for Variation**

12. The planned migration from the Capita data centres to the Shared ICT Service (SICTS) is delayed by 18 months. To ensure the ongoing provision of data centre services (which are critical to all areas of service delivery), this service provision needs to continue.
13. The transfer of the printing service for Exchequer services from Capita to another provider will be negotiated and fully operational within 12 months. A 12 month extension of this service will allow for this transition.
14. SAP was migrated to the Hana Enterprise Cloud in January 2018, and it was planned that the on-going use of Capita SAP support desk would no longer be required as SAP enhanced managed support would be sufficient. However it became apparent soon after go live that in order for the system to remain operational the council would need to re-engage Capita to deliver support. The SAP HEC contract is in place until January 2022, however over the coming 12 months we will be re-assessing this support requirement to source alternative expertise either by developing internal capacity or sourcing alternative external support.

### **Future Proposals for this Service**

15. The Council is looking at two options for the future of the data centre hosting service:
  - a. A cloud-based alternative to the data centre provision afforded by the SICTS; and

- b. Review the resourcing and management of the current migration programme and continue with reset timescales and budgets.

This work is subject to a separate options appraisal and decision-making process whilst key options for this service are under review.

**Alternative Options Considered**

16. The alternatives for the data centre service considered were:

- a. The council considered whether an alternative IT service provider could be procured and mobilised by the current contract end date of 30 April 2019. This was judged as unrealistic and exposing the Council to significant risk around the quality of requirements and the ability of potential suppliers to complete appropriate due diligence;
- b. Migrating the data centre to an alternative provider in the interim period would not be possible given there is insufficient time to do so prior to the end of the current contract with Capita.

17. The alternatives for the SAP service considered were:

- a. In order to provide the additional support required the council approached SAP HEC, however they were unable to provide small scale, competitively priced flexible support that the council required. The council considered approaching other consultancies, however as our requirements were only for 5 days flexible support a month this has proved difficult to commission at a commensurate price to the Capita provision.

18. The alternatives for the bulk printing service considered were:

- a. For Exchequer services bulk printing, the transfer to another provider is not an immediate option due to the transition period to transfer the services. The shared service was considered for other bulk printing services but this is still in development and may take up to 12 months before it is an available option.

**Identified risks for the Variation**

19. The table below identifies risks associated with contract extension, as well as appropriate mitigating actions:

Risk Number	Risk Identified	Risk Level	Mitigation
R1	Risk of legal challenge, as we have no further ability to extend the service within the framework it was originally purchased via.	L	1. The Public Contracts Regulations 2015 permit modifications to be made to contracts where that modification is not considered fundamental. Every thing that can be done to minimise the time to exit the Capita arrangement is being done to minimise the length of this variation.

R2	Provision to alternative options takes longer than 12/18 months?	L	1. The programme is now being managed by Council resources with an enhanced governance team and structure.
R4	Costs of the services are higher than noted.	L	1. The costs of the data centre hosting have been negotiated and have only increased in-line with the cost of inflation. 2. The scale of the data centre hosting service has reduced and will continue to reduce during the extended period to a final turn off and exit.

### **Policy implications**

20. There are no specific policy implications for this decision. However, a robust, resilient, agile IT function is a key enabler for the Council's Digital Strategy.

### **Contract management and monitoring**

21. The management and monitoring of the contract and respective service is as follows:

- a. Data centre service Southwark's Head of IT and Digital Services.
- b. SAP and bulk printing Southwark's Head of Support Services.

### **Community Impact Statement**

22. This decision has been judged to have no or very little specific impact on the local community. However, a robust, resilient, agile IT function is a key enabler for the Digital Strategy as well as the Fairer Future Promises. This means it will have a significant impact on how the community access, and where relevant pay for council services.

### **Social Value considerations**

23. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations are set out in the following paragraphs in relation to the responses and commitments to be delivered under the proposed extension.

### **Economic considerations**

24. Please see 'Financial Implications' below.

### **Social considerations**

25. No specific implications arising from this decision.

## **Environmental/Sustainability considerations**

26. Capita will be responsible for the provision and upkeep of computer equipment, and associated environments, on behalf of the Council. They have targets in place (as per the original contract) to minimise consumption of energy and emissions of pollutants and be able to demonstrate the effectiveness of these procedures, both in held in Council premises and other establishments where equipment is managed on behalf of the Council.

## **Financial Implications**

27. The contract value will be no greater than £991,704 for the following services and periods, further details of which are noted in the closed report:
- a. Data centre hosting over the 18-month period. This is based on an initial 12 months with an optional 6 month extension.
  - b. The bulk print service is chargeable on an 'ad hoc' basis based on an agreed rate card over a 12-month period.
  - c. The SAP support is over a 12-month period.

## **Investment Implications (Housing Contracts only)**

28. Not applicable.

## **Legal Implications**

29. Please see the supplemental advice of the Director of Law and Democracy

## **Consultation**

30. Officer consultation was undertaken as part of the discussions around the extension.

## **Other implications or issues**

31. None

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (H&M19/002)**

32. This report seeks approval to extend IT Managed Service contract with Capita Secure Information Solutions Limited (Capita) for data centre hosting, bulk printing and SAP support desk services for a period of 12 months with effect from 1 May 2019, with an option to extend the data centre hosting element by a further 6 months on a month by month basis at a maximum cost (if the full 6 month option is used) of £991,704.
33. At the onset of the shared service arrangement with the London Boroughs of Brent and Lewisham the need to extend hosting arrangements with Capita to 30 April 2019 was identified and incorporated into the council's base budget. While it may have been envisaged that hosting would have fully transferred to the shared service with effect from 1 May 2019, savings were not put forward as part of the

2019/20 budget setting process in mitigation against the risk that a further extension may be required due to the complexity and time needed to fully transfer the arrangements to the shared service.

34. Bulk print is provided on an ad-hoc basis with funding held within the departments requesting the service. During the period of the extension, the council's bulk print requirements will be reviewed to ensure that beyond this extension the arrangements put in place are a best fit for purpose.
35. SAP is the council's primary financial management accounting system and it is critical that on-going support is maintained.

#### **Head of Procurement**

36. This report seeks approval from the Strategic Director of Housing & Modernisation to extend the IT Managed Service contract with Capita for data centre hosting, bulk printing and SAP support desk services for a period of 12 months from 1 May 2019, with the option to extend up to 6 months, at a total cost of £991,704.
37. The proposed variation represents value for money to the council following a discount negotiation and mitigates significant risk to the council if the service were to terminate, while a long term solution for data hosting is implemented.
38. The report details management and monitoring of the contract in paragraph 21.

#### **Director of Law and Democracy**

39. This report seeks the approval of the Strategic Director of Housing and Modernisation to the extension of the IT managed service contract with Capita in relation to the data centre hosting, bulk printing and SAP support desk services, as further detailed in paragraph 1. As the value of the extension is below £1m, it may be approved by the relevant chief officer or under their delegated authority.
40. The original appointment of Capita was subject to, and awarded in accordance with EU procurement regulations, and it is therefore necessary to ensure that any variation to the contract is permitted within those regulations. Regulation 72 of the Public Contract Regulations 2015 permits modifications to be made to contracts, in certain circumstances. This includes at Regulation 72(1)(e) where the modification (irrespective of its value) is not substantial. Having considered the conditions at Regulation 72(8) which notes those modifications which are considered substantial, it is considered that the contract can be varied under this provision. As noted in the report, the additional contract period is required to allow these services to be migrating to alternative provision, and is for the minimum period to permit this to happen.
41. Contract standing order 2.3 requires that no steps are taken to vary a contract unless the expenditure involved has been included in approved estimates or is otherwise approved by the council. Paragraphs 27 and 32 confirm the financial implications of this variation.

#### **Director of Exchequer (for housing contracts only)**

42. None

**PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS**

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.



29 April 2019

Signature .....

Date.....

**Michael Scorer, Strategic Director of Housing and Modernisation**

**PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:**

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

<b>1. DECISION(S)</b>
As set out in the recommendations of the report.

<b>2. REASONS FOR DECISION</b>
As set out in the report.

<b>3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION</b>

<b>4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION</b>

<b>5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST</b>
<i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>

## 6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.\*

or

~~I declare that I was informed of the conflicts of interests set out in Part B4.\*~~

(\* - Please delete as appropriate)

## BACKGROUND PAPERS

Background Papers	Held At	Contact
None		

## APPENDICES

No	Title
Appendix A	Current printing undertaken

## AUDIT TRAIL

<b>Lead Officer</b>	Mark Compton-James, Head of IT & Digital Services	
<b>Report Author</b>	Paul Golland, Programme Manager DC Migration	
<b>Version</b>	Final	
<b>Dated</b>	16 April 2019	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	N/a	N/a
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Date final report sent to Constitutional Officer</b>	29 April 2019	