

| | | | |
|------------------------------------|--------------------------------|--|--|
| Item No. | Classification: Open | Date: 8 April 2020 | Meeting Name: Strategic Director of Housing and Modernisation |
| Report title: | | Gateway 3 variation IT Managed Services – Capita Secure Information Solutions Limited | |
| Ward(s) or groups affected: | | All | |
| From: | | Interim 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 for a period of 11 months, bulk printing for a period of 14 months and SAP support desk service for a period of 18 months all with effect from 1 May 2020 at a maximum cost of £911,276 as further detailed in paragraphs 9, 10 and 11.

BACKGROUND INFORMATION

2. A Gateway 3 report was previously approved by the Strategic Director of Housing & Modernisation on 11 April 2019 to allow extension of the IT Managed Service contract beyond 30 April 2019 for a period of 12 months with an optional 6 months (for the data centre hosting) effective from 1 May 2020.
3. The Gateway 3 report covered three elements Data Centre hosting, SAP support and bulk print contained within the Capita IT Managed Service contract. The contract period for the services noted in paragraphs 4, 5 and 6 above are due to expire on 30 April 2020.
4. Data Centre hosting is provided under the contract for hosting of the majority of IT systems supporting the day to day business activities of the council. In May 2019 the contract with Capita for this service was extended for 1 year until the end of April 2020 with an option to extend the contract for a further 6 months until the end of October 2020. This report seeks permission to utilise the 6-month optional extension noted in the April 2019 Gateway 3 report, and to seek approval for a further period of 5 months to allow the shared service to finalise hosting arrangements.
5. A bulk print service is also provided under the contract for a secure print and mail service for the council covering requirements in Libraries, Finance and Rents. An extension of 12 months with effect from 1 May 2019, was approved to provide continuity whilst the new shared service arrangements were put in place. Approval is now sought for this part of the service to be extended by a further 14 months until 30 June 2021, to allow the printing function to be transferred to alternative suppliers, the procurement for which is currently underway.
6. 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. An extension of 12 months with effect from 1 May 2019 was approved to provide continuity whilst a new service could be procured. However, the management and support of the SAP system is currently under a strategic review. Approval is therefore sought to extend the SAP support for a

further period of 18 months until 31 October 2021 until this review is completed and its recommendations implemented.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

7. Whilst there is provision to increase the data centre hosting for a further 6 months, there are no additional extension provisions beyond this period or for the other services (bulk print and SAP support). However, the parties are free to agree an extension of the service before the current provision expires. The original ICT agreement with the provider was awarded using the Crown Commercial Services template agreement, which is favourable to public authorities, and whilst some amendments were agreed when the contract was initially varied to reflect the reduced service now being provided, it is in the council's interest to extend the original agreement rather than to agree new arrangements on the providers standard contract terms.
8. The estimated cost of £511,276 for the data centre hosting element is based on a maximum requirement of racks inclusive of power and services. This figure has increased since the previous Gateway 3 report last year due to power and data circuit costs that were not previously identified as part of this contract that have now been identified. Costs will reduce over the period of the contract on a rack by rack exited basis that will be subject to a three -month notice period.
9. The SAP Support agreement includes 5 days a month of flexible and tailored support at a cost of £3,000 per month for the 18-month period at a total cost of £54,000.
10. The print service is based on a rate card with no committed volumes of consumption. Based on previous volumes used, an average of £25,000 per month over a 14-month extension. The is estimated maximum cost over is £350,000.

Reasons for Variation

11. The planned migration from the Capita data centres to the Shared ICT Service (SICTS) has been delayed by 4 months due to vendor due diligence taking long than expected. To ensure the ongoing provision of data centre services (which are critical to all areas of service delivery), this service provision needs to continue for a period to allow transition to the new arrangements.
12. The transfer of the printing service for Exchequer services from Capita to Northgate for rents printing and the print service with SICTS for finance and libraries is still on-going. An 11-month extension of this service will allow for this transition to be completed without impacting on business delivery.
13. 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 18 months a review of the longer-term support for the SAP system is taking place

which will drive the council's long-term approach to ERP (Enterprise Resource Planning) system delivery.

Future Proposals for this Service

14. As noted in paragraphs 8, 9, and 10 the council and Capita have been in discussions on the basis that the existing agreement will be extended. Future proposals for this service are detailed in paragraphs 4, 5 and 6 above. Extending these arrangements will allow a sufficient period to transition these services to alternative provision or allow the strategic review to be completed.

Alternative Options Considered

15. The programme to migrate all services from the current data centres is well underway and subject to a contract for its delivery with Infosys, via the SICTS. Any alternative option would be subject to exiting these commercial arrangements and tendering which would result in increased costs and timescales for the exit of the current arrangements.

16. For Exchequer services bulk printing, the transfer of rents printing to the Northgate system and the finance printing to an alternative 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.

17. Work is currently underway to define the SAP strategy and requirements for an alternative support option. The 18-month extension is based on the timescales to complete the review and purchase a replacement service via a framework given the low value of this service and its commoditised nature.

Identified risks for the Variation

| Risk Number | Risk Identified | Risk Level | Mitigation |
|-------------|---|------------|--|
| R1 | That the Provider ceases trading, goes into administration/liquidation. | L | <ol style="list-style-type: none"> 1. The data centre hosting is located in data centres owned by the Ark Group and not by Capita. In the event of the provider going into administration ICT would negotiate the transfer to the existing service to be operate via the Ark Group. 2. A financial assessment has been conducted by Procurement and concluded that Capita are of a low financial risk. |
| R2 | A legal challenge is made to the extension. | L | <ol style="list-style-type: none"> 1. The council is permitted to modify a contract where that modification is not considered substantial (within the meaning of the Public Contract |

| | | | |
|--|--|--|--|
| | | | Regulations 2015). Further details are given in paragraphs 9 and 10 but both the data centre housing and print service have been tendered. The extension is therefore to allow transition to the new arrangements. |
|--|--|--|--|

Policy implications

18. 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

19. The management and monitoring of the contract and respective service is as follows:
- a. Data centre hosting service by Southwark’s Head of IT and Digital Services.
 - b. SAP and bulk printing by Southwark’s Head of Support Services.
 - c. Monitoring reports will be presented to DCRB as required by contract standing orders.

Community Impact Statement

20. 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

21. 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 wellbeing 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

22. Please see ‘Financial Implications’ below.

Social considerations

23. No specific implications arising from this decision.

Environmental/Sustainability considerations

24. 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

25. The data centre hosting costs are based on a charge of on no more than £46,116 per month. All replacement options have an implementation timescale of less than 11 months meaning the maximum contract spend for this would be £507,276 over the 11-month period. Funded from budget code CT150 66504
26. The bulk print service is chargeable on an 'ad hoc' basis based on an agreed rate card. The anticipated cost is no more than £350,000 over the 14-month period. Funded from budget code GG630 66601.
27. The SAP support is charged at £3,000 per month, a total of £54,000 over the 18-month period. Funded from budget code CT150.
28. Therefore, the total cost of this extension is £911,276.

Legal Implications

29. This report seeks the approval of the Strategic Director of Housing and Modernisation to the extension of the IT managed service contract with Capita for data hosting, sap support and bulk print 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.
30. 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.
31. 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 25-28 confirm the financial implications of this variation.

Consultation

32. Officer consultation was undertaken as part of the discussions around the extension and confirmed budget is available.

Finance Implications

33. This report seeks approval to further extend IT Managed Service contract with Capita Secure Information Solutions Limited (Capita) for data centre hosting, bulk

printing and SAP support desk services for periods of 11, 14 and 18 months respectively with effect from 1 May 2020 at an estimated cost not exceeding £911,276.

34. At the onset of the shared service arrangement with the London Boroughs of Brent and Lewisham the need to extend hosting arrangements with Capita, initially to 30 April 2019 was identified and incorporated into the council's base budget. While the initial expectation was that hosting could be fully transferred to the shared service with effect from 1 May 2019, this proved not to be possible and a further 12-month extension was agreed. Arrangements to prepare and complete the transfer remain complex, meaning that there has always been a continued risk that a further extension would be required. In recognition of this fact no savings were anticipated during either the 2019/20 or 2020/21 budget setting processes which has ensured that adequate resources are available until the process is complete.
35. Bulk print continues to be provided on an ad-hoc basis with funding held within the departments requesting the service. The need for continual review of bulk print requirements during this additional extension period is essential to ensure that the service not only remains a best fit for the council, but also informs the procurement of any new arrangement.
36. As the council's primary financial management accounting system, it is essential that a support service for SAP is secured and the system maintained.

Head of Procurement

37. This report seeks the approval of the Strategic Director of Housing & Modernisation for an extension of the IT Managed Service contract with Capita Secure Information Solutions Limited (Capita) for data centre hosting from 1 May 2020. The period of 11 month for data centre hosting, bulk printing for a period of 14 months and SAP support desk service for a period of 18 months. The maximum cost for the services for the periods set out is £911,276 as further detailed in paragraphs 9, 10 and 11 of the report
38. The contract and its various elements were originally let from a Crown Commercial Services framework agreement and as such the proposed variation and timeframes associated to allow the minimum service to be undertaken is within the scope of Regulation 72.
39. The plans for the management and monitoring of the contract are set out in paragraph 19.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

40. This report seeks approval to further extend IT Managed Service contract with Capita Secure Information Solutions Limited (Capita) for data centre hosting, bulk printing and SAP support desk services for periods of 11, 14 and 18 months respectively with effect from 1 May 2020 at an estimated cost not exceeding £911,276.
41. At the onset of the shared service arrangement with the London Boroughs of Brent and Lewisham the need to extend hosting arrangements with Capita, initially to 30

April 2019 was identified and incorporated into the council's base budget. While the initial expectation was that hosting could be fully transferred to the shared service with effect from 1 May 2019, this proved not to be possible and a further 12-month extension was agreed. Arrangements to prepare and complete the transfer remain complex, meaning that there has always been a continued risk that a further extension would be required. In recognition of this fact no savings were anticipated during either the 2019/20 or 2020/21 budget setting processes which has ensured that adequate resources are available until the process is complete.

42. Bulk print continues to be provided on an ad-hoc basis with funding held within the departments requesting the service. The need for continual review of bulk print requirements during this additional extension period is essential to ensure that the service not only remains a best fit for the council, but also informs the procurement of any new arrangement.
43. As the council's primary financial management accounting system, it is essential that a support service for SAP is secured and the system maintained.

Head of Procurement

44. This report seeks the approval of the Strategic Director of Housing & Modernisation for an extension of the IT Managed Service contract with Capita Secure Information Solutions Limited (Capita) for data centre hosting from 1 May 2020. The period of 11 month for data centre hosting, bulk printing for a period of 14 months and SAP support desk service for a period of 18 months. The maximum cost for the services for the periods set out is £911,276 as further detailed in paragraphs 9, 10 and 11 of the report
45. The contract and its various elements were originally let from a Crown Commercial Services framework agreement and as such the proposed variation and timeframes associated to allow the minimum service to be undertaken is within the scope of Regulation 72.
46. The plans for the management and monitoring of the contract are set out in paragraph 19.


Director of Law and Democracy

47. This report seeks the approval of the Strategic Director of Housing and Modernisation to the extension of the IT managed service contract with Capita for data hosting, sap support and bulk print 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.
48. 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.

49. 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 25-28 confirm the financial implications of this variation.

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.

Signature 

Date 21 April 2020

Designation 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.

| |
|--|
| 1. DECISION(S) |
| As set out in the recommendations of the report. |
| 2. REASONS FOR DECISION |
| As set out in the report. |
| 3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION |
| |
| 4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION |
| |

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

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.

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 |
|-------------------|---------|---------|
| n/a | | |
| | | |

APPENDICES

| No | Title |
|-----|-------|
| n/a | |
| | |
| | |

AUDIT TRAIL

| | | |
|---|---|--------------------------|
| Lead Officer | Ian Slee, (Interim) Head of IT & Digital Services | |
| Report Author | Paul Golland, Cloud Programme Manager SICTS | |
| Version | Final | |
| Dated | 8 April 2020 | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Strategic Director of Finance and Governance | Yes | Yes |
| Head of Procurement | Yes | Yes |
| Director of Law and Democracy | Yes | Yes |
| Cabinet Member | N/a | N/a |
| Date final report sent to Constitutional Team | | 21 April 2020 |

BACKGROUND DOCUMENT – CONTRACTS REGISTER UPDATE FORM – GATEWAY 3

| Details | Original | Extension 1 | Extension 2 |
|--|----------|-------------|-------------|
| Contract Name | | | |
| Contract Description | | | |
| Contract Type | | | |
| Fixed Price or Call Off | | | |
| Lead Contract Officer (name) | | | |
| Lead Contract Officer (phone number) | | | |
| Department | | | |
| Division | | | |
| Procurement Route | | | |
| EU CPV Code (if appropriate) | | | |
| Departmental/Corporate | | | |
| Supplier(s) Name(s) | | | |
| Contract Total Value | | | |
| Contract Annual Value | | | |
| Contract Start Date | | | |
| Initial Term End Date | | | |
| No. of Remaining Contract Extensions | | | |
| Contract Review Date | | | |
| Revised End Date | | | |
| SME/ VCSE (If either or both include Company Registration number and/or registered charity number) | | | |
| Comments | | | |
| London Living Wage | | | |

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.