

Item No.	Classification: Open	Date: 16 November 2011	Decision Taker: Cabinet Member for Finance Resources and Community Safety
Report title:		Combined Gateway 1&2 – Approval of Procurement Strategy and Contract Award Next Generation Network services: Southwark Wide Area Network (WAN) services	
Ward(s) or groups affected:		All	
From:		Head of Information and Data Services	

RECOMMENDATIONS

1. That the Cabinet Member for Finance, Resources and Community Safety approves the procurement strategy outlined in this report to use the Pan-London framework for Next Generation Network services. The framework contract was awarded to Virgin Media Business LTD on behalf of all London local authorities in June 2011 by Westminster City Council, following an EU compliant procurement process. Approval to this combined GW1 and 2 will enable Southwark to commence the ordering of services from this framework on the basis of detailed specifications.
2. That the Cabinet Member for Finance, Resources and Community Safety approves the award of the pan -London “Next Generation Network services” framework contract with Virgin Media Business LTD with a commencement date of November 2011 and for a five year term.
3. That the Cabinet member should note that the BT contract will run in parallel with the Virgin contract until the BT components are no longer required.

BACKGROUND

4. Information Technology is a fundamental business function in Southwark that exists at the centre of service delivery. The Council's infrastructure and within this, Wide Area Network (WAN) services are critical enablers for the Council's running of day to day services
5. BT has been providing WAN services to Southwark through a Buying Solutions framework contract awarded in May 2004. Services provided include the installation and management of a virtual private network that connects Southwark's end points using private circuits, Ethernet circuits, and Broadband and Dial services via a shared core. The current contract expires in May 2012.
6. The current technical infrastructure is now to a large extent obsolete and does not support the requirements of a modern and effective organisation. There is an increasing need for greater speed and capacity to accommodate data sharing and interactive/on-line activities within the Council, and with our customers/residents.
7. In addition to the above, the “point to point” solutions (ie a fixed line between the data centre and a specific office) have been replaced by more managed services which allows for flexibility and also provides a considerable reduction in the costs of providing IT access to the Council's strategic sites.

8. The Council is in the process of implementing transformational changes to its office accommodation, as part of its wider asset management strategy. Budget pressures, new office accommodation arrangements and further implementation of modern ways of working will require a speedy and cheaper delivery of network services, as part of a wider strategy for a flexible infrastructure. This would not be possible with the current network infrastructure from BT and requires investment in a new network service to meet council requirements.

Summary of the business case/justification for the procurement

9. The Council is looking to establish a new 5 year contract for network services to ensure the most competitive prices are secured and the Council's vision for modern IT services is realised. The Council could secure this contract through the options below:

- a. Open tender of services: This would require a full OJEU procurement exercise which would be resource intensive. In addition, this would provide little if any inherent benefit to the procurement which was just completed by Westminster City Council as all major industry players responded to this exercise and were assessed against a comprehensive evaluation framework only a few months ago.
- b. Another contract extension with BT: The current bill for services is high and the Council, based on advice from industry experts, is looking to reduce its WAN services bill up to 40% through the modernisation of its infrastructure. A short term extension to the existing contract does not provide the Council the opportunity to secure the most competitive prices for its infrastructure services as it is not subject to market competition nor does it offer opportunities resulting from a longer term comprehensive review of network services.
- c. Use of the Government Procurement Solution (previously Buying Solutions Framework) for Telecom network services: The Government's Procurement Office's framework for telecoms services was procured in 2008 and is due to expire in January 2012. The short timeframe between now and the end of this framework contract does not give the Council the required time to specify its detailed requirements and on their basis, undertake a further competition amongst framework suppliers to ensure the most competitive prices are offered. In addition, this may provide little if any inherent benefit to the procurement which was just completed by Westminster City Council as major industry players who are part of this framework also responded to this exercise and were assessed against a comprehensive evaluation framework.
- d. Utilisation of the pan-London framework for Next Generation Network services: In June 2011, Westminster City Council signed a £190million pan-London framework agreement with Virgin Media Business LTD on behalf of all London local authorities. This framework contract was awarded following an EU compliant procurement process. The "Next Generation Framework" acts as a "one stop shop" for procurement allowing all London local authorities to buy phone, data and video technology as well as CCTV and Wi-Fi services. This Framework allows all London local authorities and other public sector organisations to commission network services through Virgin Media Business LTD without the requirement for further competition as local authorities are named as "participating authorities" in the framework agreement.

10. In addition to the procurement options outlined in the paragraph above, the following urgent business imperatives are to be considered in making this decision:

- a. The Council should complete the award of its WAN services contract by the end of November 2011 to enable the inclusion of relevant information into the Council's invitation to tender for ITMS (IT Managed Services) supplier procurement. This is required as the new supplier will take over management arrangements of network services from SERCO once current ITMS contractual arrangements end.
 - b. The Council's Modernise 2 accommodation strategy urgently requires the presence of a flexible infrastructure that can deliver extra capacity, bigger bandwidth and resilience. Due to pressing timescales associated with refurbishment and construction projects such as Queens Road, completion of 19 Spa Road sale, Canada Water Library and the Town Hall relocation, an urgent contract award is required.
 - c. Virgin Media Business is already an accredited PSN (Public Services Network) supplier and a current supplier of WAN services to the Council alongside BT. Utilisation of the Next Generation Services Framework will enable the Council to underpin the current relationship with a longer-term strategy based on a vision for better and cheaper services.
11. Access to Virgin Media services through the Next Generation Network agreement will enable the purchase of new lines when required. There is currently no intention to migrate connections from current suppliers to the new one at sites with a limited or undetermined future. For this reason it is not possible to precisely forecast actual expenditure but upon current projection will be less than £3.8m throughout the contract duration.
12. A five year duration provides the best value for money due to the discounts offered, together with the benefits of profiling the investment costs over a longer period. It is also in line with the agreement terms and industry best practice.
13. Contract prices are not index linked and are expected to be fixed for the term of the contract. Also, the contract is demand led therefore the price of the contract itself is not fixed. The expenditure will be closely monitored as indicated in paragraph 34 below.

Technical considerations

14. In March 2011, Virgin Media Business was awarded Public Services Network (PSN) security accreditation. This means that Virgin is the first organisation to be allowed to operate as a Direct Network Service Provider (DNSP) and a Government Conveyance Network service provider enabling it to deliver PSN services across the country.
15. Virgin works with 28 out of the 33 London boroughs and delivers PSN services across the UK.
16. Security, Audit and PSN mandatory requirements are detailed in the corresponding Appendices to the pan London Framework agreement.

Market considerations

17. In recommending the utilisation of the pan-London "next Generation Framework" the Council has reviewed and discounted the other options presented in paragraph 10 of this report.
18. The Pan-London Next Generation services framework contract was awarded in June 2011 following an EU compliant procurement process in which 48 companies expressed an interest,

22 completed a PQQ questionnaire and 8 invited to tender. A copy of Westminster's evaluation methodology is attached as Appendix 1 to this report. It can be seen that costs were given a high rating and only Virgin Media met the cost threshold.

19. The comprehensive procurement process, significant market interest and recent contract award date satisfy the Council's value for Money considerations.

Identified risks and how they will be managed

20. Risk identification table the following table lists key risks associated with this contract

Risk	Mitigation
The implementation of new service arrangements will negatively affect service delivery	To ensure a seamless transition from the existing arrangements, the Council will operate BT and Virgin Media WAN services in parallel until the BT contract expires. Before an order is placed through the Framework the Council will assess the impact of the order to service continuity and put mitigating arrangements in place.
The new framework does not deliver the expected savings.	The appointment of Virgin Media Business LTD was done on the basis of a comprehensive, competitive procedure which demonstrates value for money. To ensure expected savings are utilised, the ISD/ITMS supplier contract management function will explore opportunities offered through this contract for further bulk order discounts, in addition to the implementation of a more flexible and cost effective infrastructure (e.g. further replacing point to point links with managed services)

Procurement timetable

21. Timetable of procurement process followed

Activity	Date completed
GW1 and 2 review by DCRB	6/10/2011
GW1 and 2 review by CCRB	20/10/2011
Decision notification	16/11/2011
Decision made by Cabinet Member for Finance, Resources and Community Safety	28/11/2011
Scrutiny call – in period ends	5/12/2011
Decision implementable	12/2011
Award of Contract	12/2011

Activity	Date completed
Contract Start Date	11/2011
Contract End date	20/11/2016

TUPE implications

22. There are no specific staff resources linked to the current contract for the Wide Area network and TUPE will not therefore apply

KEY ISSUES FOR CONSIDERATION

Policy Implications

23. This is an IDM procurement (on the basis of value and potential impact on service delivery) and is therefore a key decision.
24. This procurement supports the Council's aim to transform public service provision. The provision of reliable IT infrastructure services is at the core of the Council's ICT strategy
25. The medium term resources strategy aligns financial priorities with the management of assets and the associated resources with which the Council delivers its services. An effective WAN service will support the council's medium and 5-year objectives through providing additional opportunities for efficiency savings.
26. Other key corporate objectives are supported through enabling an improved working environment, improved customer services and a more effective service delivery

Tender Process

27. The Next Generation Network services contract was awarded to Virgin Media Business LTD by Westminster City Council in June 2011, following an EU procurement process which commenced in December 2009 with the publication of the relevant OJEU notice. A summary of which is contained within Appendix 1. The factors and weighting given in evaluation criteria used by Westminster Council are in line with elements which would be used by Southwark Council
28. All London Local Authorities were named as "participating authorities" to this contract. Following a review of the terms and conditions of the contract, Southwark legal services confirmed that Southwark Council can access this framework.
29. Once a decision is made to utilise this Framework, the Council can activate the contract by placing an order. Each order throughout the duration of the framework will be placed on the basis of a detailed requirements specification which once accepted, will be signed-off by both the Council and Virgin Media Business LTD. The installation and rental of the specific site connections will be a part of this enabling agreement/contract and not subject to individual contracts.

Plans for the Transition from the old to the new Contract

30. Transition will be project managed between Virgin Media, Serco and the Council's Information and Data Services Division (IDSD) to ensure that there is no service disruption. Project Management is included in the service cost of installation to ensure successful service implementation.

Plans for Monitoring of the Contract

31. Although Westminster City Council has procured this framework, it is not responsible for the monitoring and management of the agreement on behalf of other participating authorities. Responsibility for this lies with the participating local authority.

32. Management of the contract will be performed by the Council's IT supplier, supported by Council resources in IDSD. Until the appointment of the Council's new ITMS (IT Managed service supplier), SERCO will manage this contract. Following appointment, the new supplier will take over management arrangements.

33. To ensure effective management of the proposed contract the Council (with its IT supplier) will nominate a Technical Architect and a Commercial Manager to work alongside the supplier's service delivery team. The Council's team will: a) manage day-day service delivery of the supplier against the call-off contract, b) ensure that the service objectives of Southwark within the NGN framework are met and c) participate in technical design and commercial management group meetings.

34. Expenditure will be closely monitored and reported within the annual performance report. Any anticipated expenditure, in excess of the total contract sum indicated within this report, will be the subject of a further report and prior approval

Community impact statement

35. Virgin Media Business Ltd has its own supply chain in place. This contract will deliver WAN services to improve the efficiency and effectiveness of the Council's site and virtual connectivity.

36. As part of this work, the supplier will support the Council's overall strategy for property disposals and re-allocations (Modernise2) for which a separate community impact assessment has been published

37. Through the implementation of lower cost, improved quality WAN services the Council will be able to offer a more accessible and effective customer response to the community it serves.

Sustainability Considerations

38. Virgin Media Business Ltd will be responsible for the provision and upkeep of network equipment and associated environments on behalf of the Council. The Company will be requested to support the Council's efforts for minimising energy consumption and emissions of pollutants.

Market Development Considerations

39. Virgin Media Business LTD:

- I. is a private organisation
- II. has over 250 employees

III. has a national area of activity

Resource Implications

40. The Council will be required to allocate a Technical Architect and a Commercial Manager for the management of the contract. These resources will be made available through a) the Council's IT supplier (SERCO currently) and b) the existing pool of Information and Data Services Division.

Financial Implications

41. Currently the Wide Area Network costs have approved revenue budgets to support this expenditure. It is anticipated that following the transfer to the new supplier there will be an overall saving over the five year contract period. These savings will be inclusive of the already declared savings as part of the three year budget proposals presented to Council in February 2011. The savings to the rental charges will accrue as and when existing connections are terminated and moved across to the new supplier and as a result the profile of these savings are expected to be 15% in 2011/12, 65% in 2012/13 and 20% in 2013/14

42. The overall contract value for the rental charges will be revenue expenditure. Installation costs and associated charges for new sites and lines will be met from capital budgets contained within the approved capital programme and will be subject to separate approval.

Legal Implications

43. Legal Implications are contained within paragraph 47.

Consultation

44. This contract proposal has been developed to deliver an element of the Council's ICT strategy.

45. Consultation in the preparation of this decision report has been undertaken with internal corporate functions including legal, procurement, finance and service departments. Varying degrees of resource has been assigned from these areas and will continue to be engaged in the preparation for contract award and go-live.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

46. This report seeks the approval of the Cabinet Member for Finance, Resources and Community Safety to the procurement strategy and award to use the Pan-London 'Next Generation Network Services' framework contract with Virgin Media Business Limited as noted in paragraph 2. As the value of the contract is estimated not to exceed £4,000,000 then this decision may be made by the relevant Cabinet Member.

47. The nature and value of these services are such that the contract is subject to the full application of the EU procurement Regulations. The report however sets out the proposed approach, and its intention to use the framework procured by Westminster City Council to award this contract. The framework procured by Westminster was procured in accordance with the EU procurement regulations, and names Southwark as a party who can benefit from the framework. It is therefore possible to use this framework without a further process of tendering.

Officers from Communities, Law & Governance (contracts team) have been advising on this project and will continue to provide advice and assistance as the contract is awarded.

48. Contract Standing Order 2.3 requires that no steps should be taken to award a contract unless the expenditure involved has been approved. Paragraphs 42-4 confirm the financial implications of the award.

Finance Director

49. This report recommends that the Cabinet Member for Finance, Resources and Community Safety approves the procurement strategy outlined in this report to use the Pan-London framework for Next Generation Network services and also that the Cabinet Member for Finance, Resources and Community Safety approves the award of the pan -London "Next Generation Network services" framework contract with Virgin Media Business LTD.
50. An approved budget exists for this proposal. The Finance Director notes the financial implications contained in the report and in particular paragraphs 41 to 42 regarding the planned savings. The proposal offers savings to the current baseline budget over the five years. In addition the profile of the savings indicates the majority will be achieved in 2012/13.

Head of Procurement

51. This is a combined gateway one and two report seeking approval for the procurement strategy and award of contract for Southwark's wide area network (WAN) services.
52. Having reviewed the procurement options, the recommendation is to award a contract to Virgin Media Business Ltd for a maximum value of £3.8m over a five year term via the pan London framework for next generation network services.
53. This estimated maximum value meets the criteria of a EU general protocol requiring that all reasonable steps are taken to obtain at least five tenders following a publicly advertised competitive tender process, as set out in CSOs and in line with the procurement guidelines. However, where the recommendation is to use a consortium contract, this requirement no longer applies so long as approval for the use of said consortium contract has been given via a gateway one report. Recommendation one of this report is seeking such approval.
54. The report confirms that the framework was put in place by Westminster City council earlier this year following a EU compliant procurement process using evaluation criteria that is comparable with the council's own, and that the council's legal representative has reviewed the documentation regarding participation.
55. The report details the contract monitoring and management arrangements that will be in place, and confirms that the existing contract with BT will run parallel until no longer required.
56. As required under CSO 3.2 the report identifies the procedure and route for approvals of future orders being placed under the agreement.

BACKGROUND PAPERS

Background Papers	Held At	Contact

APPENDICES

Appendix number	Title of appendix
	None

AUDIT TRAIL

Lead Officer	Bill Cottrell, Head of Information & Data Services		
Report Author	Bill Cottrell		
Version	Final		
Dated	16 November 2011		
Key Decision?	Yes	If yes, date appeared on forward plan	September 2011
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities Law & Governance	Yes	Yes	
Finance Director	Yes	Yes	
Head of Procurement	Yes	Yes	
Cabinet Member	No		
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