

<b>Item No.</b> 17.	<b>Classification:</b> Open	<b>Date:</b> 25 September 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 2 – Contract Award Approval IT Managed Services	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

### **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY**

This report recommends the awarding of the council's IT managed services contract from 1 February 2013, once the current contract with Serco comes to an end. The contract is for the on-going management and the delivery of technological innovations. This will provide a sound platform upon which business and service improvements can take place in the future.

The recommendation is that the contract is awarded to Capita, who scored highest for both price and quality of service. The Capita proposal offered the strongest support on technical solutions and the best service delivery standards.

### **RECOMMENDATIONS**

That cabinet

1. Approve the award of the IT Managed Services contract to Capita Secure Information Solutions Limited (Capita) for a period of four years commencing from 1 February 2013, with flexible provision to extend for up to a further maximum period of three years.
2. Delegate authority to the strategic director of finance and corporate services to agree the final terms and conditions of the IT Managed Services contract to enable the contract and ancillary documents to be executed following completion of contract finalisation points.

### **BACKGROUND INFORMATION**

3. The existing contract for IT Managed Services (ITMS) is with Serco and was awarded in 2007. The duration of the current contract was for five years with a provision for the council to extend for a further two years to July 2014.
4. The Gateway 1 report for this procurement was approved by cabinet in July 2011. It identified the contributory factors which led to the recommendation to re-procure the ITMS service and outlined the procurement route to be taken (via the Government Procurement Service (GPS) framework RM717 – (formerly known as Buying Solutions) and the provisional timetable. Within that report the

timetable indicated a proposed contract commencement date of 31 July 2012. The tender process is outlined in paragraphs 36 - 44.

5. Subsequent to the cabinet decision it became evident that a six month extension, in accordance with the provisions of the Serco contract, would be desirable and a Gateway 3 contract extension report was approved by the then finance director on 19 April 2012. This extended the existing contract to 31 January 2013. The need for the extension was due to the specific activities required to finalise the functional specification, not least the definition of improvements required to the council's IT infrastructure that will enable an improved level of service to be established and sustained moving forward.
6. In addition, a number of changes taking place within the council necessitated a review of the base requirements. These included the impact of the acquisition of new buildings on Queen's Road, the new Wide Area Network strategy under a new contract with Virgin Mobile, the activities related to the council's customer experience strategy and the implementation of the accommodation strategy including the need to review data centre locations across the borough. Furthermore during the project it became apparent that the original implementation dates would potentially clash with other activities such as the London Olympics when there were embargos on new network connections and the high risk of physically moving the data centre infrastructure at this time.
7. Subject to the approval of recommendations made in this report the contract will be finalised in October 2012 and new services, following transition, will commence on 1 February 2013. In line with best practice for ITMS contracts of this nature this contract will be for a four year duration with the ability to extend by any period up to three years.
8. The future timetable to conclude the procurement is outlined below :

<b>Activity</b>	<b>Completed by/Complete by:</b>
Forward Plan for Gateway 2 decision	17/08/2012
Approval of Gateway 1: Procurement Strategy Report	19/07/2011
Invitation to Further Competition (ITFC)	24/05/2012
Closing date for return of tenders	09/07/2012
Completion of evaluation of tenders	13/08/2012
DCRB Review Gateway 2: Contract award report	20/08/2012
CCRB Review Gateway 2: Contract award report	23/08/2012
CMT Review Gateway 2: Contract award report	31/08/2012
Notification of forthcoming decision – despatch of Cabinet agenda papers	13/09/2012
Cabinet approval of Gateway 2: Contract Award Report	25/09/2012
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	04/10/2012
Contract award	31/10/2012

Activity	Completed by/Complete by:
TUPE Consultation period start	01/11/2012
Add to Contract Register	05/11/2012
TUPE Consultation period end	31/01/2013
Contract start	01/02/2013
Initial contract completion date	31/01/2017
Contract completion date – if extension exercised in full	31/01/2020

9. This contract has been developed to have the flexibility to incorporate further services where best value and cost effectiveness can be demonstrated (within the scope of the contracted services), utilising economies of scale and the minimisation of contract and client management resource. The contract is subject to an annual price review which is linked to the CPI index.

#### **Services to be provided under contract**

10. Information Technology is a fundamental business support function in the council that is pivotal to service delivery and that must enable flexible working within the workforce and provide a solid foundation to generate future service improvements and efficiencies.
11. Under the ITMS contract the service provider will be required and will be contracted to deliver the following IT services:

#### **Service management and transition**

12. The delivery of effective management together with sound and open governance. These are considered by the council to be critical to the successful delivery of the ITMS.
13. The efficient and seamless transfer of services, from the current ITMS provider to the new supplier. This is of critical importance to the council and the successful transition will be evidenced by no reduction in the quality of services from day one of the contract, together with the provision of a sound basis for on-going service delivery.
14. The delivery of ITMS to at least the minimum service standards set by the council, and that the services will be undertaken fully in accordance with the standards and processes of ITIL (Information Technology Infrastructure Library – a nationally recognised industry standard). The council is looking not only for responsive service management but also a proactive service which constantly looks to improve all aspects of the ITMS.
15. A service that will incentivise performance above minimum service standards and reward excellent service delivery.

### **Delivery of core enabling projects**

16. A range of projects to achieve increased business enablement and cost efficiency. The council has identified nine projects (see paragraph 25 below) that will deliver immediate and practical business benefits to the end-user community and also reduce ITMS operational support costs.

### **Hardware and asset management**

17. The support and management of all IT assets used by the council. In summary, the supplier will procure, host, support, maintain and manage all hardware and devices, including telephony and network services. The council currently owns and will retain ownership of all IT assets relating to the services. The range of hardware includes: servers, desktop, laptop and tablet PCs, thin client / CITRIX devices, PC peripherals (scanners, remote printers, etc.), telephone handsets, all mobile devices (phones, data sticks, BlackBerry devices etc.) and printers.

### **Bulk printing**

18. An efficient and responsive bulk printing and mailing service. This is primarily used for volume printing and mailing such as that required for rent statements and service charges.

### **Application management**

19. An application management service for the council's business and productivity systems. The level and nature of the support required will vary between the various systems. This service includes: managing the availability of services, capacity planning and management, fixing problems, providing support to users, optimising utilisation, scheduling operations and implementing changes.

### **Security services**

20. A complete security management service covering security patching and access violation monitoring which supports the council's IT audit and compliance processes.
21. Data security and protection have a high priority within the council. It is for this reason that effective risk management, business continuity and disaster recovery are seen as essential components in the ITMS.

### **Project management**

22. An effective and responsive project management service relating to all aspects of ITMS. The council requires the supplier to deliver high quality projects which meet the needs of the business and are delivered on time and within budget and receive maximum customer satisfaction ratings.

## KEY ISSUES FOR CONSIDERATION

### Required service outcomes

23. The nature of the services provided through this ITMS contract should not, when working effectively, be visible to those using them. ITMS as it impacts on those accessing systems, securing and sharing data, using desktop facilities and passing data across networks should at all times achieve the minimum standards set by the council in the service specification and wherever possible exceed these high standards.
24. The evaluation process that has been followed to assure the council of the level of service being offered and the way in which these services will be delivered is outlined in paragraphs 45 - 56.
25. In completing this evaluation, the bidders have also been asked to demonstrate their commitment to the delivery of a number of key outcomes against which the successful bidder will be continually assessed:
  - **A well managed and governed service transition** - the supplier is to ensure that there is no disruption to, or degradation of, existing services during the transition period and from the commencement date
  - **A reliable ITMS** – the supplier is to ensure that all of the services are reliable, secure, effective, responsive, accessible and available in meeting the council's specified requirements
  - **The delivery of core enabling projects** – to successfully implement, in the first year of the contract, a number of specific projects which will provide the council with a modernised and current technical platform and which will enable improved end-user experience and better value-for-money. The successful completion of these projects is critical to the establishment of a stable and flexible IT infrastructure upon which to develop better services for council activities in the future (see paragraph 28 below) These projects relate to:
    - Active Directory upgrade, design and implementation
    - Exchange 2010 design and implementation
    - Citrix hardware/software redesign and implementation
    - Microsoft Office 2010 design and implementation
    - SAN technology refresh
    - Design and implementation of desktop/laptop refresh to Windows 7
    - Integrated mobile telephony service
    - Design and implementation of replacement of multi functional print devices throughout the council
    - Bring Your Own Device (BYOD) service.

- **A mature and forward looking working relationship** – the supplier is to maintain a progressive relationship with the council that recognises and supports changes in council business and organisational structures; and exploits, where appropriate, new developments in technology and helps develop wider strategic partnerships so that the council may optimise any future investment that it may make
  - **A quality service at an affordable cost** – the supplier is to ensure that, throughout the contract term, the prices of the services are clear, transparent and provide end-users with a true sense of the value being added by the contract. The council has made it clear that it is prepared to support specified projects, and other future projects, through investment where business cases demonstrate full return on investment within three years
26. In addition to providing all the IT services provided by the current supplier, the new ITMS contract will include additional elements such as mobile telephony. IT assets will remain in the ownership of the council which provides for additional flexibility and control.
27. There will be an overall reduction in the revenue cost for the delivery of standard core services which will enable the agreed saving targets to be met. Additionally throughout the contract term, the prices of the services will be clear, transparent and provide end-users with a true sense of the value being added by the contract. Outside of the fixed cost elements the council will be in a position to commission future projects where business cases demonstrate full return on investment within a prescribed period. It is anticipated that this will generate further savings to the council.

### **Vision beyond the contract date**

28. In future years, the council's wider vision for ITMS will be subject to a number of important influences and changes of which all bidders were made aware. These elements will be supported continually throughout the contract and include;
- the need to improve both external and internal customer service and experience
  - the aspiration to be digital by default and to ensure that line-of-business applications are current and fully support changing structures and demands
  - the exploitation of technology to support and drive business change and improvement
  - the enhanced requirements for data integrity, management and security in the context of legislative and regulatory change
  - better use of data to create information that informs key business decisions
  - improving the management and sharing of services, information and data with the public and other stakeholders
  - the creation of a fully mobile workforce using a range of technology and devices that supports multi-discipline working.
29. The new ITMS contract will provide the IT support and a technical framework upon which innovations and improvements can be made. The ITMS contract will

not however, in itself, provide business transformation, or improved ways of working.

30. It is recognised that it will be for the service and business areas to determine the requirements, and how the vision beyond the contract date should be implemented. To this end it is proposed to establish a governance structure, implement a communication strategy and have greater engagement within the council by the mobilisation of the new supplier and IDSD personnel such as departmental client managers.
31. As part of the contract requirements and in support of the council's changing needs and continual pursuit of improvement across all services, the supplier will be required to agree with the council an annual service improvement plan. This document will facilitate the capture not only of known council requirements but also give the supplier the chance to promote emerging technological opportunities and best practice for consideration by the council.
32. These plans will help ensure that council needs are addressed and will provide the basis to assess investment needs that are equitable and proportionate.

### **Policy implications**

33. The key element of the corporate plan that this strategy supports is "transforming public services". The provision of sound and reliable IT, and how it is utilised, are at the heart of the ICT strategy.
34. The medium term resources strategy aligns financial priorities with the management of assets and the associated resources with which the council delivers its services. A modern ITMS service platform and an informed ITMS client function will significantly support the council's medium and long term objectives, providing flexibility and opportunities for efficiency savings.
35. Other key corporate objectives are indirectly supported through an improving working environment, improving customer facilities and enabling more effective service delivery.

### **Tender process**

36. Due to the value of the contract being over the EU Services threshold of £173,934 the contract is subject to EU Procurement Regulation and an EU compliant process was followed.
37. The procurement route followed was to issue an Invitation to Further Competition (ITFC) on the Government Procurement Service (GPS) ITMS Framework Agreement (Reference No. RM717); a pre-tendered framework which has followed a fully EU compliant procurement process. Approval to utilise the GPS framework agreement was given via a Gateway 1 report approved by the cabinet on 19 July 2011.
38. The procurement protocol followed the GPS requirement which applies to the ITMS framework. This prescribes that the assessment of the tender is to be based on the following criteria within the following range; Commercial/Price (25% - 30%), Technical (25% - 45%) and Service Delivery (25% - 45%). Confirmation of the weighting the council elected to apply is given in paragraph 48 below.

39. In advance of placing an order with GPS a prospective bidders' briefing session was held at 160 Tooley Street to explain the process and provide contextual information. This was attended by all suppliers on the GPS framework.
40. On 18 November 2011 a further bidders' session was held to provide an update on progress and to explain the reasons for the delay in issuing the ITFC (paragraph 5 above refers). Following the bidders' briefing session seven companies (Bull, Centerprise, Logica, Civica, Getronics, ICM, and Computacenter) gave notice that they did not wish to proceed further with the procurement. Where reasons were provided there were no common factors.
41. On 24 May 2012, ITFC documents were issued to the five remaining companies namely:
  - 2e2 UK Limited
  - Capita Secure Information Solutions Ltd
  - Northgate Information Solutions (UK) Ltd
  - Specialist Computer Centre (SCC)
  - Steria Ltd
42. On 31 May 2012, a bidders' conference was held in 160 Tooley Street to ensure that potential bidders had a clear understanding of the council's requirements, the procurement process and to give an opportunity for the bidders to ask questions. All the suppliers were represented at the session.
43. Of the five suppliers which were forwarded ITFC documents, (SCC and Steria Ltd) withdrew from the procurement process prior to the closing date for the return. Both companies indicated they were impressed with the quality of the documents and the openness of the engagement. A review was undertaken to confirm that there remained sufficient competition. It was concluded, by the council's procurement steering group, that as there were still three companies interested the procurement should continue.
44. There were a number of requests for clarifications from the suppliers which were all answered and notified to all bidders. Three tenders were received on the closing date of 9 July 2012 and were opened in 160 Tooley Street on 11 July 2012.

### **Tender evaluation**

45. The evaluation panel included subject matter experts, technical personnel and representation from the service departments. Specifically the group included head of technology, head of applications and operations, head of data security, IS client managers, head of customer experience, emergency planning officer, contract monitoring manager, head of anti-fraud and internal audit, strategic projects accountant and human resources.
46. To facilitate the evaluation of quality, service delivery plans method statements were submitted by each bidder and scored using pre-determined criteria. The scoring range was 0 – 5 (with a mark of 2 reflecting a satisfactory response). Marks were weighted to reflect the importance of the aspect to the service. The evaluation methodology was agreed with legal and corporate procurement sections ahead of the tender period.

47. The council identified three main objectives of the call-off contract, i.e. transition, business as usual and core-enabling projects. Whilst acknowledging that it was bound by the rules and criteria which apply to the GPS framework (paragraph 38 above refers), the council interpreted those rules and criteria in such a way as to focus on the key objectives for the council.
48. The evaluation methodology was designed to ensure that these key objectives were reflected in the evaluation. The council has borne these three objectives in mind when attributing weightings to the evaluation criteria and sub-criteria (as set out below), and when constructing method statement questions.

Overall Weighting		Council defined sub weighting		
Level 1	Weighting	Level 2	Level 3	Sub-Weighting
<b>Technical Solution</b>	<b>45%</b>	<i>Innovation</i>	Core Enabling Projects	25%
		<i>Benefits Realisation</i>	Continual Imp.	1%
			Core projects	3%
		<i>Quality of solution (Operational Delivery)</i>	Operations - BAU (business as usual)	16%
<b>Service Delivery</b>	<b>25%</b>	<i>Service Levels</i>	Service Management - BAU	10%
			Demand Management - BAU	3%
			Project Management - BAU	3%
		<i>KPIs (Key Performance Indicators)</i>	KPI processes	2%
		<i>Transition</i>	Transition	7%
<b>Total Quality</b>	<b>70%</b>			<b>70%</b>
<b>Total Commercial</b>	<b>30%</b>		Core (Years 1-4)	<b>25%</b>
			Year 5	<b>2%</b>
			Year 6	<b>2%</b>
			Year 7	<b>1%</b>
				<b>30%</b>
<b>Overall Total</b>	<b>100%</b>			<b>100%</b>

49. In order to assist in the verification of the submissions, and answer some further points of clarification the bidders, on 1 August 2012, presented an outline of their proposals. The presentations were not scored and were attended by end user and departmental representatives.

50. Bidders were advised that the evaluation panel would conduct a “consensus scoring process” where moderation of the scores awarded during the exercise would take place. The moderation exercise was supervised by the head of information and data services and gave regard to any variance in score between the individual evaluators, together with subsequent assessment arising from clarification presentations. The consensus score was agreed by the evaluators for each of the evaluation criteria.
51. There were no pass or fail thresholds with the exception of the responses to the Transition question elements. Bidders had to score 2 (satisfactory) or more, because of the fundamental importance of the effective delivery of the transition phase of the contract in terms of continuity of service and also the long-term impact on the contract, in particular in terms of end-user management. All three bidders met the threshold.
52. Price (Commercial) evaluation of ITMS bids was given a 30% weighting overall. Price scores in this weighting were further subdivided into the sub-weightings corresponding to the core contract and additional contract years respectively as shown in paragraph 48 above.
53. Bidders were required to provide prices corresponding to each year of the contract and including a price for core enabling projects using pricing proformae supplied by the council, in order to facilitate comparison. The prices provided in the bid proformae were ranked relative to each other using a net present value (NPV) calculation at a 5% discount per annum. This was applied for each sub-weighting given, assessing years 1-4 as the core contract and years 5, 6, and 7 individually. Once the NPV calculation had been made the lowest price in each sub-weighting was allocated the maximum percentage and downward accordingly, based on how far each higher bid exceeded the lowest.
54. It can be confirmed that overall Capita has the best score and the most economically advantageous tender in accordance with the stated evaluation criteria and is therefore recommended for award. The final outcome and detail of the evaluation process is detailed within the closed version of this report. With specific reference to the commercial elements the overall highest score was obtained by Capita
55. Capita’s submission was particularly strong, when compared against the other bidders, in the areas of the mobilisation of services and transition, project management and coordination, the interface with end users and the review and redesign of the Citrix platform. The planning documentation and detail for the core enabling projects, was of a high standard and gave the evaluation panel confidence of a successful implementation within the first year.
56. In support of their tender Capita gave the following assurances regarding innovations and service improvements:

“Capita offers a mature and forward looking working relationship that recognises and supports changes in council requirements and to exploit, where appropriate, new developments in technology and to help develop wider strategic partnerships.

Beyond the contract date Capita will support improved service, including the council’s strategy to improve digital access, data integrity, review its line of

business applications, its use of information to improve decision making, its responsiveness to regulatory and legislative changes and its exploitation of new technology, such as mobile applications, to drive business change and reduce cost of ownership.”

### **Plans for the transition from the old to the new contract and the next steps**

57. It has been stated above that the transition from the old contract to the new contract has been given a very high priority. Bidders were required to produce detailed plans and provide relevant examples of where they had successfully implemented an ITMS. A part of this was the production of a risk assessment together with how these risks would be mitigated.
58. The existing supplier is contractually obliged as a part of the exit plan to assist in the handover and provide all relevant documentation and data necessary for a smooth transition. This will also include the TUPE elements of personnel moving over from the incumbent supplier to the new supplier. There is no primary transfer of staff involved in this contract.
59. The council will appoint a transition manager to ensure these activities are co-ordinated and successfully implemented.
60. Subject to the approval of recommendations contained within this report, the council will proceed to conclude the contract discussions with Capita. Given the structure of the procurement, not least the use of the GPS framework's standard terms, it is expected that the contract will be agreed by the end of October 2012.
61. Within the tender submission there is a three month transition period, prior to the contract commencement date of 1 February 2013, to deal with the detailed planning, and associated activities such as TUPE consultation and implementation. At the point of contract agreement Capita, with support from the council, will commence a communications programme with staff and all service users to advise them of future activities.
62. The draft detailed plans for the transition period have already been assessed and these will need further refinement in consultation with other third parties, in particular with Serco who are the incumbent contractor. Key transition activities include the movement of the data centre from Birmingham to a new secure location, familiarisation with the council's structure and organisation, procedures and protocols and final due diligence of council assets, premises, etc. The delivery of the transition plan will be Capita's responsibility and will be monitored closely for the council by the head of IDSD and his senior team.
63. During this transition period, Capita plan to commence work on the delivery of nine core enabling projects set out by the council within the service specification and identified in paragraph 25 above. The successful completion of these projects is critical to the establishment of a stable and flexible IT infrastructure upon which to develop better services for council activities (see paragraph 28 - vision beyond contract date).
64. Capita will be contracted to complete these integrated projects within twelve months of commencement of the services, which will be revisited as part of the transition programme and implementation dates confirmed with the council.

65. Some of the core enabling projects relate to a technical refresh and will be completed in background with the intention of minimising and eliminating where possible any disruption for service users. Where there will be impacts on service users (e.g. the implementation of Office 2010), communication and training programmes will need to be agreed with the council well in advance of implementation.
66. In advance of the commencement date there are a number of essential activities which need to be undertaken by the council so that maximum benefits of the projects deliverables can be realised in the shortest period of time. A number of these tasks relate to general housekeeping such as a review of stored electronic records, confirmation of registered users and their profiles etc.

### **Plans for monitoring and management of the contract**

67. This contract will be managed and monitored by the Information and Data Services Division (IDSD) which was restructured in February 2011. A key aspect of the reorganisation was to establish a framework to ensure effective contract management. The team will utilise best practice arrangements for monitoring the contract to ensure compliance with the specification and contract.
68. The Information Technology Infrastructure Library (ITIL), is a set of internationally recognised and agreed practices for IT service and contract management that focuses on aligning IT services with the needs of business (based upon ISO/IEC 20000). All bidders had to demonstrate their compliance with these requirements and a number of the IDSD management team are qualified in this aspect.
69. The council will enforce the adoption of Prince 2 methodology (projects in a controlled environment) for the delivery of all IT projects. This will assist in ensuring the delivery of high quality projects which meet the needs of the business and are delivered on time, within budget and receive maximum customer satisfaction ratings.
70. A range of new mechanisms and remedies have been included in the new contract to encourage good performance and compliance. The contractor's performance will be measured against the agreed key performance indicators (KPIs) and service level agreements (SLAs). These KPIs and SLAs will be reviewed annually (or as required) to ensure that they are appropriate and effective tools for monitoring performance. The key measures include system and service availability (from an end user's perspective), end user satisfaction and the time taken to undertake specific requests (e.g. creation of new user accounts).
71. A further component of this contract is the Annual Service Improvement Plan which will capture, on an annual basis, performance over the preceding year, agreed targets for innovation and service improvement for the next year. In addition the contract specifically determines the governance arrangements which include the executive/partnership Board, bi-weekly operations group, monthly contract and performance monitoring group etc.
72. The contract is based on the Model Call-Off Contract which has been constructed by GPS based on the OGC Model Contract for ICT Services, and which forms part of the framework agreement between GPS and the supplier. The contract is based upon fixed costs which will be monitored and paid on a

monthly basis. There is a contractual change control procedure which ensures that all material variations to the contract are documented and authorised by approved personnel.

**Identified risks for the new contract**

73. No performance bond has been requested as the framework agreement being used in this procurement does not provide for a bond. However, a parent company guarantee is being provided instead. There are also various other provisions and remedies within the contract to protect the council.

74. Risks relating to this contract and how they will be managed are shown below:

S/N	Risk	Mitigating Action
R1 High	Transition to the new ITMS contract causes disruption to service	Ensure early engagement with council and existing supplier to clarify governance and transition plan. Technical review and acceptance of the bidder's proposed mobilisation plan with support of external expertise. Effective exit management between council and existing supplier. Limit any unnecessary change through imposing a change freeze in the transition period. Consider early transfer of some key services to allow for additional testing and support from existing supplier prior to commencement. Appoint council transition manager resource to co-ordinate all activities between existing supplier, council third party suppliers and new ITMS supplier.
R2 Med	New ITMS supplier has insufficient knowledge about council business requirements and services	Ensure existing supplier has robust plan to refresh all existing documentation and knowledge bases with latest information and that this is able to be easily transferred to the new ITMS supplier. Ensure scripts and process documentation is reviewed and up to date.
R3 Low	Staff are not aware of the new ITMS supplier, what this means for the council, what is offered and how to request services	Identify key stakeholders and their interface to the ITMS contract. Agree and implement the supplier's proposed communication plan during transition period. Establish change management plan.
R4 Med	Pent up demand (following a change freeze since November 2011) cannot be met in first few weeks and months following service commencement due to commitments on the core enabling projects as well as completing service transition	Consider additional period of change freeze in first two months of new ITMS contract to allow for service to bed in and for resources to be readied to deliver full service. Early engagement with new ITMS supplier to ensure appropriate levels of resources are available at commencement to enable delivery of required change projects.
R5 Low	Existing Serco staff subject to TUPE may fail to perform during	Early involvement of HR. Robust communication strategy and plan in

S/N	Risk	Mitigating Action
	transition or be uncertain about their role in the new ITMS supplier, causing a dip in service performance and increase in staff turnover during the critical transition period	place. Early consultation and involvement. Early and ongoing involvement of legal specialists.
R6 Med	Significant demand for internal IDSD resources and the impact on other projects during the first year of the contract required to enable the supplier to deliver the core enabling projects	Detailed joint resource planning with the supplier early on during transition to be aware of resource contentions. Establishment of clear internal governance arrangements and the provision of appropriate personnel. Prioritisation of activities. Mapping of day-to-day operational resources required onto overall programme plan.
R7 Med	Impact on council staff and business during implementation of core enabling projects	Effective stakeholder engagement and communications plan to gain understanding of changes planned and their likely impact. Involvement and participation in pre-contract activities by key stakeholders. Communications ramped up during cut over to new systems with online guides, posters and short guides left with each user. Review of training offered to staff on key productivity packages to ensure that newer versions are addressed.

### Community impact statement

75. This contract has a direct impact on all council staff and the council's elected administration. The ITMS will provide IT facilities for all internal service providers and contractors where appropriate and will also provide the technical infrastructure to enable the community to digitally interact with the council. External service providers are not directly affected by the introduction of the ITMS.

### Economic considerations

76. There will be a reduction in energy usage through shift of all data centres to the supplier which utilises highly efficient shared resources. The recommended supplier's own supply chain vendors are sourced to ensure that use of packaging is reduced to a minimum and that where appropriate it meets ISO 14001 Eco-management and Audit Scheme (EMAS).

### Social considerations

77. By adopting the Government Procurement Service framework the procurement was restricted to the twelve suppliers listed by GPS. GPS would however have applied a fair and transparent procurement which ensured that the process followed was accessible to a variety of suppliers.
78. In addition to meeting the rigorous EU tender process, all bidders had to demonstrate compliance with the council's requirements relating to equalities

(additional local requirement). This evidence based requirement addresses areas such as policy, procedures, recruitment, training and monitoring.

79. All of the bidders have their own supply chains in place and the computer data centres and service desks are based outside of the borough. For this reason this decision has been judged to have a small impact on local people and communities.
80. There is no specific clause in the contract to require that the London Living Wage (or above) must be paid to all staff as there is no such provision in the model contract provided under the framework agreement. However, given the nature of the services being provided and our knowledge of typical salaries in this sector, it is envisaged that all staff working on this contract will be receiving a rate over LLW.

### **Environmental considerations**

81. The contract will support the council's sustainability policy and materials purchased where possible will be from sustainable sources.
82. Although the computer centres are outside of the boundaries of Southwark the recommended bidder's main data centre site has a carbon footprint measured using Power Usage Effectiveness (PUE) of less than 1.3 which is around half the industry norm (between 2.2 and 2.8 PUE).
83. The data centre cooling system of the proposed service supplier uses ambient external air as the primary cooling mechanism, thus avoiding using refrigeration for 99.8% of the year and maximising energy efficiency.
84. There is a contractual requirement that all obsolete or damaged hardware is disposed of in an environmentally friendly manner which will be subject to certification to the council. Where practicable any functioning equipment, which is no longer required, will be recycled. IT equipment will be managed in accordance with the Waste Electrical and Electronic Equipment Directive (WEEE Directive) and in compliance with the council's waste management policy. Bulk printing is 2010 Carbon Smart certified.
85. The contractor is required to have targets in place to minimise consumption of energy and emissions of pollutants and to be able to demonstrate the effectiveness of these procedures.

### **Market considerations**

86. The successful supplier has over 500 employees.
87. The successful supplier organisation is national and their activity is spread across the UK.

### **Staffing implications**

88. TUPE will apply on a secondary basis (affecting the staff of existing contractors including a few original transferring council employees). The contract award does not have any TUPE implications for current council staff. The bidder's approach to secondary TUPE transfers was assessed as satisfactory in the quality evaluation.

89. The introduction of the new ITMS contract will impact on how staff use technology and interact with the supplier. A key deliverable will be an effective communication strategy for staff in the council.

### **Financial implications**

90. The fixed price element of the contract is to be funded from the existing IDSD budget CT701.
91. The contract is subject to an annual price review which is linked to the CPI index. Therefore the contract base cost and day rates will increase in each contract year anniversary in line with the agreed indexation mechanism.
92. In addition to the fixed price for the core services, the contract enables the supplier to provide additional hardware, software, projects and IT services on behalf of the council. It is not possible to quantify exact requirements at this time. The source of funding will be dependent upon the nature of the expenditure. In the event that there is evidence that the actual costs of the non fixed elements will exceed the estimated provision a separate Gateway 3 report will be submitted for approval.
93. The proposed cost of the base contract (which are incorporated within the closed version of this report) can be contained within the budget for the base contract, after taking into account the budget savings for 2012/13 and the proposed budget savings for 2013/14 (which are contained within the closed report). There is the potential to offer increased savings, within the contract term, as a part of the Annual Service Improvement Review.
94. There are provisions within the contract which enable the contract to be extended for up to a further three years.

### **Legal implications**

95. Please see comments from the Director of Legal Services in paragraphs 104 – 107.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

96. This report is seeking approval to award the IT Managed Services contract via the government procurement service framework RM717, subject to minor points of contract finalisation. Paragraph 4 confirms that as required under CSOs approval was given via a gateway one report to use this framework in July 2011.
97. Paragraphs 36 – 44 detail the tender process that was followed and confirm that five organisations were issued with invitation to further competition documentation. It is noted at paragraph 43 that whilst two organisations subsequently withdrew from the process, following an internal review the council's procurement steering group were satisfied that the three remaining organisations represented sufficient competition to allow the procurement process to continue.

98. The Head of Procurement's concurrent in the gateway one report highlighted the need to ensure adherence with the framework operating rules, whilst at the same time ensuring that the allowed for flexibility within the fixed ranges for price and quality evaluation, as set by GPS, were fully utilised to ensure that the evaluation methodology focused on the council's specific service requirements. Paragraphs 46 - 47 confirm compliance with both these requirements.
99. Paragraphs 5 - 6 advise that there was a delay in the delivery of this procurement, and the reasons for this. The former also confirms that mitigating action by way of an extension of the current contract was approved to ensure continuity of service in the interim.
100. Paragraph 45 – 53 detail the evaluation process culminating in the conclusion that the response from Capita Secure Information Solutions Ltd is deemed to be the most economically advantageous tender and therefore recommended for award. Additional information pertaining to the particular strengths of this bid compared to the other two is detailed at paragraph 56.
101. The procurement outcomes summarised at paragraphs 54 – 56 confirm that the service expectations listed in the gateway one report are deemed to have been met, whilst at the same time ensuring savings targets are met.
102. Whilst the transition arrangements from current to the new contract is always important , it is especially so on IT contracts, as highlighted in the risk table on in paragraph 74. Paragraphs 57 – 66 detail the specific arrangements that will be put in place for this contract, including the appointment of a transition manager.
103. Paragraphs 57 – 66 also confirm the contract monitoring and management arrangements that will be put in place.

### **Director of Legal Services**

104. This report seeks the cabinet's approval to the award of the ITMS contract to Capita as detailed in paragraph 1. As the contract value exceeds £4 million, then the approval of this award is reserved to the cabinet as a strategic procurement. For a contract of this nature, it is usual that minor points of contract finalisation are required before the contract is executed, and therefore approval is sought to delegate authority to the strategic director of finance and corporate services to agree the final terms and conditions of the contract.
105. The procurement of these services is subject to the full tendering requirements of the EU Procurement Regulations, but as noted in paragraph 4, the procurement route used by invitation to further competition through the GPS ITMS framework agreement is an EU compliant process.
106. The council's criteria for award of this contract were on the basis of the most economically advantageous tender, with details given in paragraphs 38 and 48 of this report. The tender evaluation has identified that the bid submitted by Capita is the most economically advantageous tender and is therefore recommended for award.
107. Contract Standing Order 2.3 requires that no steps should be taken to award a contract unless the expenditure involved has been approved. Paragraph 93 confirms the financial implications relating to this award.

## **Strategic Director of Finance and Corporate Services (NR/FCS/28/8/12)**

108. This report recommends that the cabinet approve the award of the ITMS contract to Capita Secure Information Solutions Ltd for a period of four years commencing from 1 February 2013, with flexible provision to extend for up to a further maximum of three years and that the cabinet delegate authority to the strategic director of finance and corporate services to agree the final terms and conditions of the ITMS contract to enable the contract and ancillary documents to be executed following completion of contract finalisation points.
109. The strategic director notes the financial implications contained within the report and notes that additional savings may arise over and above the previously declared budget savings. The strategic director also notes that the variable element of the contract is up to a maximum level of expenditure hence dependent on operational requirements, that amount does not need to be spent in full.
110. Should the option to continue for a further three years be taken, this would be with the benefit of investment already made in core enabling projects and transition payments. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

## **BACKGROUND DOCUMENTS**

<b>Background documents</b>	<b>Held At</b>	<b>Contact</b>
Gateway 1 – Procurement strategy approval for IT Managed Services – 19/7/2011 - Open	Finance and Corporate services Department / IDSD 160 Tooley Street London SE1 2QH	Bill Cottrell 020 7525 5900
Gateway 3 – Extension Approval for the IT Managed Services Contract – 19/4/2012 - Open	Finance and Corporate services Department / IDSD	Bill Cottrell 020 7525 5900

## APPENDICES

No	Title
None	

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Bill Cottrell, Head of Information and Data Services	
<b>Report Author</b>	Bill Cottrell, Head of Information and Data Services	
<b>Version</b>	Final	
<b>Dated</b>	12 September 2012	
<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 Corporate Services	Yes	Yes
Director of Legal Services	Yes	Yes
Head of Procurement	Yes	Yes
Head of Home Ownership	No	N/A
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	12 September 2012	