

# Finance and Resources Committee

10.00am, Thursday 30 October 2014

## Review of Contract Procedures Relating to the Council ICT Procurement Process

Item number	7.15
Report number	
Executive/routine	
Wards	All

### Executive summary

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This report provides an update on the key activities being undertaken through the ICT Services Procurement project.

The current contract for ICT services is due to expire in March 2016 and consequently the Council has approved the procurement of a new contract through a competitive dialogue process.

The aim of this procurement project is to deliver an ICT solution that best meets both the current and future needs of the Council in the digital age within an overall resource level.

This report specifically highlights the progress in successfully completing the Invitation to Submit Outline Solutions (ISOS) stage of the project and further explains the process that will be followed during the Invitation to Submit Detailed Solutions (ISDS) stage, where the Council will continue engagement in competitive dialogue with the four bidders that emerged successfully from the ISOS evaluation.

### Links

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Coalition pledges	<a href="#">P16, P28, P30 and P35</a>
Council outcomes	<a href="#">CO8, CO24, CO25 and CO26</a>
Single Outcome Agreement	

## Review of Contract procedures Relating to the Council ICT Procurement Process

### Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee:
  - 1.1.1 Note the progress through the ISOS (Invitation to Submit Outline Solutions) stage of the procurement.
  - 1.1.2 Note the bidders identified for ITPD2 (Invitation to Participate in Dialogue 2).
  - 1.1.3 Note the timelines for the competitive dialogue leading to ISDS (Invitation to Submit Detailed Solutions).
  - 1.1.4 Note that updates will be provided to each subsequent Elected Member ICT & Digital Sounding Board.
  - 1.1.5 Notes that the next update report will be provided to Finance and Resources Committee on 15 January 2015.
  - 1.1.6 Notes that this report will be referred to Governance, Risk and Best Value Committee of 13 November 2014.

### Background

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- 2.1 In 2001, the Council appointed BT as their Contractor for outsourced ICT Services. This was originally contracted for a period of 10 years, and was extended in 2006 for an additional 5 years, ending on 31 March 2016.
- 2.2 The Council's contract with BT is due to expire on 31/03/2016 and approval was given by Finance and Resources Committee to procure a new contract for ICT services in line with the Council's ICT and Digital Strategy, which is based on the following assumptions:
  - the City of Edinburgh Council procures its ICT services as a utility;
  - aspiration to have 25% of ICT services delivered by local SME's;
  - use National contracts and Frameworks where possible; and
  - procure a non-exclusive contract against any services provided.
- 2.3 This project has the following overall aims:
  - to save the Council £6m against core spend of £26.2m;
  - to transform the existing ICT service into a flexible, scalable service;
  - to move to a prime supplier; and

- to implement an Output based contract(s) (“*what*” we get rather than “*how*”).

## Main report

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- 3.1 As part of the competitive dialogue process an Invitation To Participate in Dialogue (ITPD1) was sent to the eight bidders who emerged successfully from the Pre Qualification Questionnaire (PQQ) stage of the Procurement on 12 April 2014.
- 3.2 Two of the bidders chose to leave the process of their own volition during the ISOS stage. The Council Dialogue team met with each of the remaining bidders 3 times, between 19 May 2014 to 12 June 2014. In addition there was an initial briefing session for the ISOS phase with all bidders.
- 3.3 The bidders submitted their Outline Solutions on 23 June 2014 and evaluation of these bids commenced on that date.

The Evaluation Teams observed the following key principles of evaluation:

- **Fairness:** all tender or quote evaluations must be undertaken in a fair manner with each bid deserving equal treatment and assessment and scores applied consistently.
- **Confidentiality:** all bids during a tender process are confidential and should not be discussed with any person not involved in the evaluation process.

**Transparency:** this related not simply to disclosure and openness but also the removal of discretion and subjectivity. Evaluation based on the objective criteria that was set and known to bidders in advance.

- **Equal Treatment:** all bidders and potential bidders must be given the same opportunity, based on the same information and criteria, and evaluated in a non-discriminatory manner.
- 3.4 Following these individual assessments, the Evaluation Teams met to discuss their assessments at moderation/consensus meetings, to determine the potential suppliers being asked to participate in the ITPD2 (ISDS) stage of the project.
  - 3.5 The outcome of this second stage of the evaluation process is that four suppliers were asked to participate in ISDS competitive dialogue, the next stage of the project, between 6 August – 31 October 2014.

- 3.6 The Project Board subsequently approved the evaluation process and results at its meeting on 28 July 2014, this allowed the Council team to proceed to conclude the ISOS stage of the project by:
- informing the successful bidders of their invitation to participate in ISDS
  - issuing letters of decline to unsuccessful bidders and dealing with any subsequent enquiries in accordance with established Procurement procedures.
- 3.7 The timeline of the next stage of the project is outlined at Appendix 2. Dialogue recommenced with the 4 bidders invited forward from the ISOS evaluation on 6 August 2014.
- 3.8 Early in the ISDS stage of dialogue, a bidder withdrew from the process of their own volition, therefore ISDS proceeded with three bidders.
- 3.9 The Council team will hold thirteen dialogue sessions with each bidder, including a “Cultural Fit” scenario event held at existing bidder sites. It is anticipated that the dialogue phase of ISDS with the short list of potential suppliers will progress through to 31 October 2014.
- 3.10 The remaining suppliers have been asked to finalise their detailed submissions and provide them to the Council by 10 November 2014. These submissions will then be evaluated by 5 December 2014, with a report on the results then being submitted to the Project Board on 9 December for approval.
- 3.10 The project will continue to be reported through Finance and Resources Committee, and will further be reported through the ICT & Digital Sounding Board and Governance, Risk and Best Value Committee (GRBV). As a Major Project, it will also be included in the Major Project Portfolio which is reported by the Corporate Programme Office to the Corporate Management Team (CMT) (every two months), Finance and Resources Committee (every quarter) and Governance, Risk and Best Value Committee (every six months).

## Measures of success

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- 4.1 The success of the new service will be measured against the objectives developed to support the ICT strategy and the future delivery of services and these include:
- Improved customer service
  - Effective contract management through output specifications
  - 25% of ICT services delivered by local Small to Medium Enterprises (SME's).
  - Use ‘best of breed’ suppliers

Establish a flexible and scalable service to support business requirements. Reduced ICT costs with improved service levels, (a minimum of £6m saving against core spend of £26.2m per annum).

- 4.2 The Procurement project is progressed to target against the agreed project plan timescales and budget (Appendix 1).

## Financial impact

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- 5.1 A minimum of £6m saving per annum, post March 2016. This is an important assumption included within the Council's Long Term Financial Plan.
- 5.2 The cost of the Procurement is currently projected to be within the budget approved by Finance and Resources Committee in February 2013.

## Risk, policy, compliance and governance impact

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- 6.1 Below is a summary of the potential impacts of the proposed project and the anticipated mechanisms to mitigate them. These impacts are potential unintended consequences which will require managing:

Theme	Potential impact	Comments / mitigating action
Citizens & service users	Positive	It is anticipated that the new service will provide an enhanced experience for citizens and service users.
Small & Medium-Sized Business	Positive	There is an ambition that SMEs will be used as part of the overall supply chain, either subcontracted or contracted directly.
Voluntary organisations	Positive	It is intended that any Framework Agreements can be shared with third parties allowing them better value for ICT services procured
Council staff	Positive	It is anticipated that there will be an improvement in the service quality and functionality of the ICT service.
The environment	None	N/A

## Equalities impact

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- 7.1 No anticipated impact on equalities.

## Sustainability impact

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8.1 No anticipated impact on sustainability.

## Consultation and engagement

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9.1 A programme of engagement has taken place across all Service Areas and with CMT, DMT's and Elected Members. Nominated representatives across Service Areas have been identified for the Project Board, Evaluation teams and Stakeholder Group, supplemented by other specialist advisors as required.

## Background reading/external references

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### Relevant internal references include:

[ICT Strategy Development, Corporate Policy and Strategy Committee, 4 December 2012](#)

[ICT Update, The City of Edinburgh Council, 13 December 2012](#)

[ICT & Digital Transformation Programme Update, Finance and Budget Committee, 19 September 2013](#)

### Relevant external references include:

[McClelland Review of ICT Infrastructure in the Public Sector in Scotland;](#)

[The Local Government ICT Strategy for Scotland;](#)

[National ICT Strategy: Scotland's Digital Future – Delivery of Public Services;](#)

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## Links

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<b>Coalition pledges</b>	<p>P16 – Examine new ways to source new funding to support small businesses.</p> <p>P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.</p> <p>P30 – Continue to maintain a sound financial position including long-term financial planning.</p> <p>P35 – Continue to develop the diversity of services provided by our libraries.</p>
<b>Council outcomes</b>	<p>CO8 – Edinburgh's economy creates and sustains job opportunities.</p> <p>CO24 – The Council communicates effectively internally and externally and has an excellent reputation for Customer Care.</p>

CO25 – The Council has efficient and effective services that deliver on objectives

CO26 – The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives.

**Single Outcome Agreement**

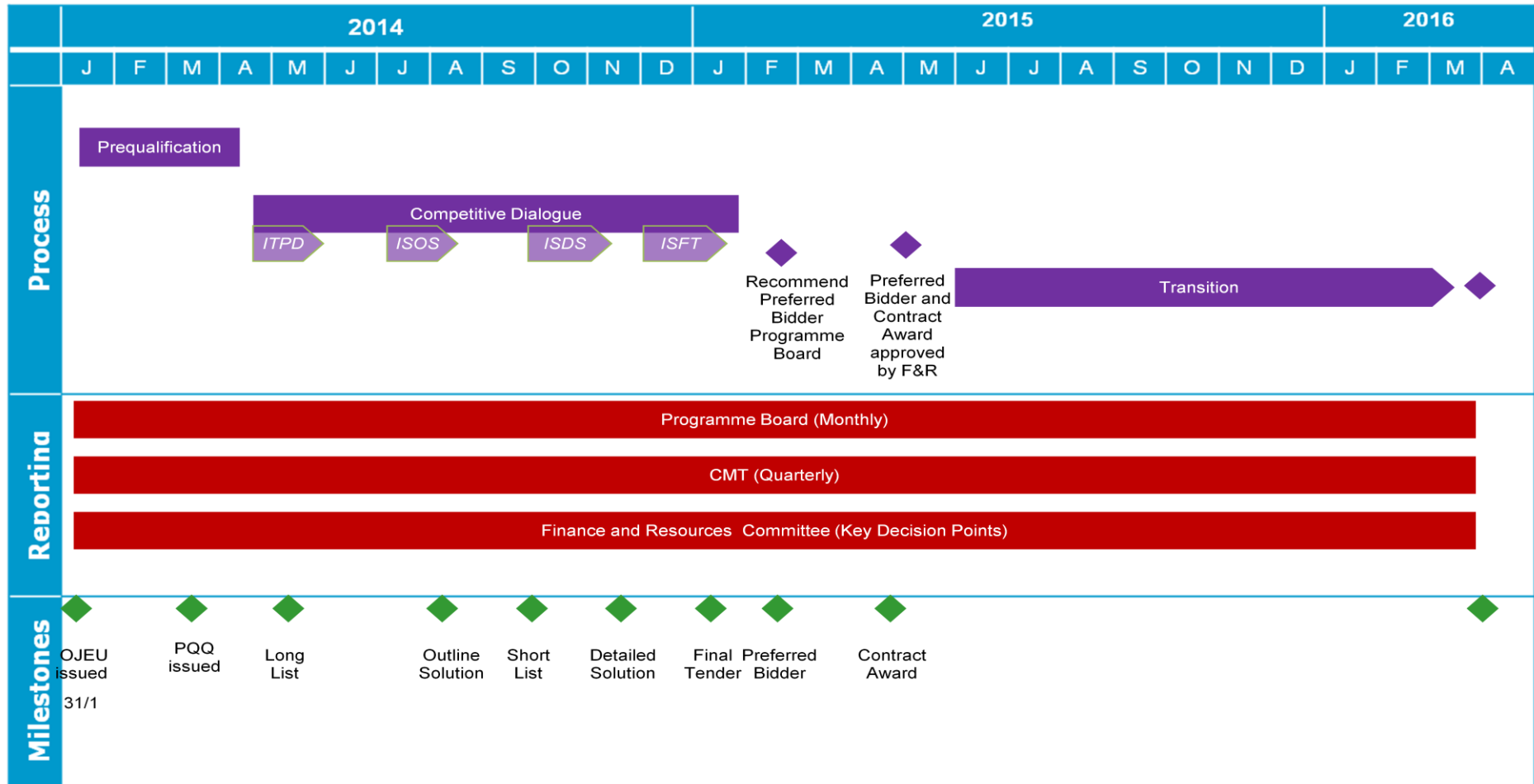
**Appendices**

Appendix 1 - Project Indicative Timeline

Appendix 2 - Stage 2 - ISDS, Project Timeline For Next Stage of Project

Appendix 3 - Contract Characteristics

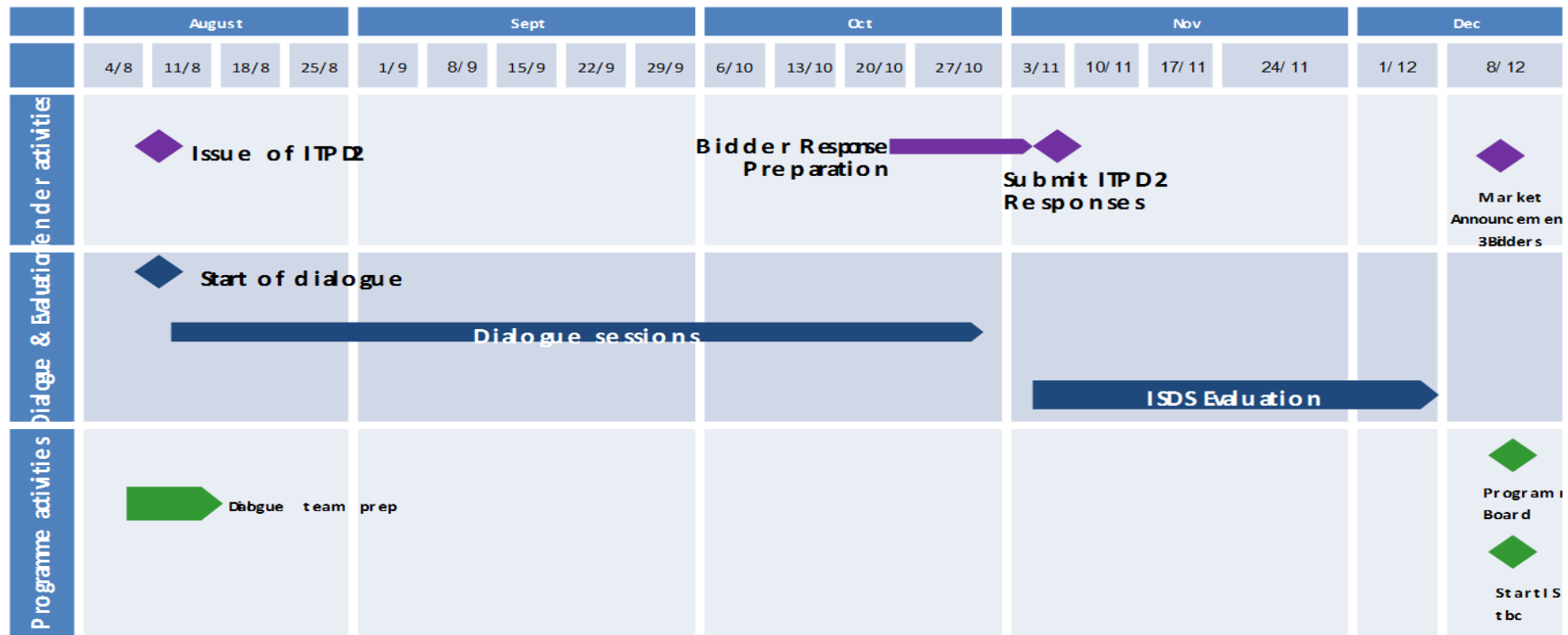
# Appendix 1: Project Indicative Timeline





Appendix 2:

## Procurement timeline for ITPD, Stage 2 ISDS



### **Appendix 3: Contract Characteristics (founding principles of the contract)**

1. The Contract will be between CEC and a single prime contractor.
2. The Supplier will be proactively engaged in supporting the development of CEC's IT strategy.
3. Service scope will be subdivided into Service Segments.
4. Each Service Segment will be described by reference to a segment-specific Output Based Specification.
5. Service Segments will be classified as "Base" or "Utility".
6. Public Sector Partners must be entitled to take up individual Service Segments.
7. The usage of Service Segments will be regularly reviewed and altered where necessary.
8. The Supplier's pricing model must be compartmentalised between Service Segments.
9. The Supplier's pricing model must be designed to share benefits.
10. Financial reporting and selective Cost Transparency.
11. Escalating Remedies will have a key role to play in making the Contract an effective tool in the delivery of a successful Project.
12. Commercial and contractual risk will sit with the party best placed to manage the risk concerned.