

Finance and Resources Committee

10.00am, Thursday 15 January 2015

Review of contract procedures relating to the Council ICT procurement process

Item number	7.13
Report number	
Executive/routine	
Wards	All

Executive summary

The current contract for ICT services is due to expire in March 2016 and the Council has approved the procurement of a new contract through a competitive dialogue process. This report provides an update on the key activities being undertaken through the ICT services procurement project.

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

This report highlights the progress in successfully completing the Invitation to Submit Detailed Solution (ISDS) stage of the project and details the process that will be followed during the final stages of the project.

Links

Coalition pledges	P16, P28, P30, P35
Council outcomes	CO8, CO24, CO25, CO26
Single Outcome Agreement	

Review of contract procedures relating to the Council ICT procurement process

Recommendations

- 1.1 It is recommended that the Finance and Resources Committee notes:
 - 1.1.1 progress through the ISDS (Invitation to Submit Detailed Solutions) stage of the procurement;
 - 1.1.2 timelines for the completion of the competitive dialogue process;
 - 1.1.3 that updates will be provided to each subsequent Elected Member ICT & Digital Sounding Board; and
 - 1.1.4 that the next update report will be provided to Finance and Resources Committee in May 2015.

Background

- 2.1 In 2001 the Council appointed BT as their Contractor for outsourced ICT Services. The original contract was for a period of 10 years, and this was extended in 2006 for an additional 5 years, ending on 31 March 2016.
- 2.2 The Council's contract with BT will expire on 31 March 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. This strategy 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 of 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 per annum 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 solution ("*what*" we get rather than "*how*").

Competitive dialogue process

- 3.1 As reported to the Finance and Resources Committee on 30 October 2014 the ICT procurement team has been engaging with the remaining bidders on the detailed solution stage of the competitive dialogue process
- 3.2 A series of structured dialogue meetings was held with each of the three remaining bidders and this was supported by focused due diligence activities. During this activity one of the bidders chose to leave the process of their own volition. Feedback received from the bidder confirmed that they had been comfortable with the way the competitive dialogue had been conducted. As a result, the detailed solution stage was progressed with the remaining two bidders. This process was successfully completed in line with the reported project timings.
- 3.3 The two bidders submitted their detailed solutions on 10 November 2014 and evaluation of these bids commenced immediately. The Evaluation Teams continue to observe 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 Individual assessments were undertaken using the previously approved evaluation matrix and the Evaluation Teams met to discuss their assessments and reach a consensus outcome. There was no intention to down select at this time however this important review stage has enabled the Council to gain a detailed understanding of the proposed service solutions and also feedback to bidders on specific aspects of the submissions.
- 3.5 Following this assessment both bidders were asked to participate in the Refined Solution stage (ISRS) which started on 15 December 2014 and will run until the end of January 2015. This stage again takes the format of structured dialogue meetings, supported by ongoing due diligence activities. Dialogue sessions will cover all aspects of the service solution

including core service provision, service enhancements, transformation, community benefits and cultural fit. The core characteristics of the contract are outlined in Appendix 1.

- 3.6 At the end of this stage both Bidders will submit a formal proposal structured around the ICT contract framework. This will then be evaluated in line with the project's agreed scoring methodology. A short period of further contact is then anticipated to allow for further bidder feedback and final refinement of the proposals. These will then be evaluated before a preferred bidder recommendation is made through the Project Board to the Finance and Resources Committee in May 2015. It is anticipated that a formal contract offer will be made in May 2015. This will allow for a ten month transition to the new arrangements in April 2016.
- 3.7 The timeline of the next stage of the project is detailed in Appendix 2.

Engagement activities

- 3.8 The Project recognises the importance of engaging with all relevant stakeholders and a range of activities are ongoing:
- Meetings with service managers to refine and finalise service requirements. This includes engagement with service area senior management teams, and key service managers continue to be involved in discussions with bidders.
 - Engagement sessions and ICT open days involving employees across the Council.
 - Sessions with the head teacher executive forum.
 - Elected Members continue to be kept up to date with developments in the project and were involved in the recent ISDS Dialogue stage, presenting various Council Pledges to the bidders.
 - The ICT procurement project stakeholder group meets on a monthly basis.
 - Monthly updates on the progress of the project are included on the Orb. The Orb pages also have an email address for enquiries relating to the project as well as information on nominated contacts.

Assurance

- 3.9 The project will continue to be reported through Finance and Resources Committee, and will further be reported through the ICT and 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).

- 3.10 As part of project's internal governance and control arrangements a further independent assurance review has recently been completed. The previous review gave the project an amber rating with the latest review rating the project as **green-amber**. This demonstrates the excellent progress the project has made and the successful mitigation of previously identified issues. The Project will continue to work with the Corporate Programme Office to achieve best project practice and deliver suggested actions relating to ongoing service engagement, benefit realisation and appropriate resourcing of key activities.

Measures of success

- 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. These include:
- improved levels of customer service;
 - effective contract management through output based specifications (the "letter" of the contract") and contractual characteristics – see Appendix 1 (the "spirit" of the contract");
 - use 'best of breed' suppliers throughout the new contractor's supply chain;
 - 25% of ICT services delivered by local Small to Medium Enterprises (SME's);
 - flexible, scalable and utility based services to support business requirements; and
 - 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 (Appendix 2) and budget.

Financial impact

- 5.1 The new contract is expected to deliver 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

- 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 a strong ambition that SMEs are used as part of the overall supply chain.
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 a notable improvement in the service quality and functionality of the ICT service.
Environment	Positive	Modern ICT equipment and use of “cloud-based” solutions reduces the Council’s carbon footprint

Equalities impact

- 7.1 The project has no direct impact on equalities but any service change will be assessed in accordance with Council policy.

Sustainability impact

- 8.1 The project has no direct impact on sustainability issues.

Consultation and engagement

- 9.1 As detailed at 3.8 above a programme of engagement has taken place across all Service Areas and with CMT, Senior Management Teams (SMTs) 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

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

Coalition pledges

Council outcomes

Single Outcome Agreement

Appendices

Appendix 1 - Contract Characteristics

Appendix 2 - Project Indicative Timeline

Appendix 1: 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.

Appendix 2 : Procurement timeline

