

Finance and Resources Committee

2pm, Wednesday 13 May 2015

Review of Contract Procedures Relating to the Council ICT Procurement Process

Item number	7.11
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 relation to the Invitation to Submit Refined Solution (ISRS) 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 ISRS (Invitation to Submit Refined Solutions) stage of the procurement;
 - 1.1.2 the Timeline for the completion of the next stages of the project;
 - 1.1.3 updates will be provided to each Elected Member ICT and Digital Sounding Board; and
 - 1.1.4 the next update report will be provided to a specially convened Finance and Resources Committee on 3 August 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 for local SMEs to gain revenues equivalent to 25% of the value of the Council's ICT services spend;
 - use of National contracts and Frameworks where they deliver best value for money; 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 annual core ICT 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*").

Competitive Dialogue Process

- 3.1 As reported previously to the Finance and Resources Committee, the ICT procurement team has been engaging with the remaining bidders on the Refined Solution stage of the competitive dialogue process.
- 3.2 A large number of structured dialogue meetings have been held with each of the two remaining bidders and this was supported by focused due diligence activities. Feedback received from the Bidders confirmed that they had been comfortable with the way the competitive dialogue had been conducted. As a result, the process was successfully completed in line with the reported project timings by 6 March 2015.
- 3.3 The two bidders have submitted their Refined Solutions information on 23 March 2015 and evaluation of these bids has commenced. The Evaluation Teams will 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 must be given the same opportunity, based on the same information and criteria, and evaluated in a non-discriminatory manner.
- 3.4 Individual assessments will be undertaken using the approved evaluation matrix and the Evaluation Teams will meet to discuss their assessments and reach a consensus outcome. Heads of Service have identified evaluators who will use their business knowledge on behalf of the service area to assess the solutions being proposed. In total there will be 28 evaluators involved in assessing the submissions put forward by the bidders.
- 3.5 Following this next evaluation stage, further dialogue will continue with the two bidders until the 20 May. This stage will again takes the format of intensive, structured dialogue meetings, supported by ongoing due diligence activities covering 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 the project will move onto the Final Tender stage with both Bidders submitting a formal response by 8 June 2015. This will then be evaluated before a preferred bidder recommendation is made through the Project Board to a specially convened Finance and Resources Committee on 3 August 2015. This will allow for an eight month transition period between contract award and the transition of the service from BT in April 2016.
- 3.7 The timeline of the stages 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.
 - Elected Members being kept up to date with developments in the project.
 - The ICT Procurement Project Stakeholder Group meeting on at regular basis (at least monthly).
 - 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 & Digital Sounding Board and also the 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 Leadership Group (CLG) (every two months), Finance and Resources Committee (every quarter) and Governance Risk and Best Value Committee (every six months).
- 3.10 As part of the project's internal governance and control arrangements, the assurance review report recommendations have been implemented including a review of the Business Case and the Benefits Realisation Plan. In addition, the most recent quarterly Status Report on the project was provided to the CPO at the end of February 2015. The latest assurance review gave the project a

green- amber rating which highlights the progress the project has made and the successful mitigation of previously identified issues.

- 3.11 The project will continue to work with the Corporate Programme Office to achieve best project practice and deliver any suggested actions.

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 customer service;
 - Effective contract management through output specifications;
 - SMEs to gain revenues equivalent to 25% of the value of the Council's ICT services spend;
 - Use 'best of breed' suppliers;
 - Establish a flexible and scalable service 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 (Timeline summary at Appendix 2) and budget.

Financial impact

- 5.1 The new contract will 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 budget.

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 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

- 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.

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, 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

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.

Revised Procurement Timeline Summary

