

Decision Maker: EXECUTIVE

Date: 30 June 2021

Decision Type: Non-Urgent Executive Key

Title: IT SERVICES PROCUREMENT

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Chief Officer: Mark Bowen, Director of Corporate Services

Ward: All Wards

1. REASON FOR REPORT

- 1.1 This report summarises options to be explored for ensuring the continued provision of IT services currently provided by BT, following the end of the current contract in December 2023. It sets out procurement options to be explored in further detail to enable decision making, procurement and transition to any new or changed arrangements.
 - 1.2 This report also outlines the approach for undertaking the next phase of work with a detailed review of the options to provide for the member decision on choice of the final options.
 - 1.3 This report does not address specific technologies, as this has been covered in previous reports and decisions, but on the means of provision of IT services.
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2. RECOMMENDATIONS

2.1 The Executive is asked to:

- 2.1.1 **Note the options and recommended focus on option 2 presented in this report and approve the funding set out in section 8 for the additional resources required to fully analyse and explore procurement options for the IT provision and subsequent Service Support Models.**
- 2.1.2 **Members to note that there is further cost implication depending on the option taken following the options investigation. These costs need to be considered against the strategic importance of the IT service provided which impacts on all of the Council's services, supports the transformation agenda in delivering service improvements and budget efficiencies, and is a vital element of the Council's infrastructure. Consequently, there is a need to explore options, deliver the optimum IT solution and achieve best**

value for as this is a significant contract forming a vital element that underpins the Council's service delivery infrastructure.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
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Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: £197k, initially
 2. Ongoing costs: Non-Recurring Cost
 3. Budget head/performance centre: Information Systems Contract Payments
 4. Total current budget for this head: £3.8m
 5. Source of funding:
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Personnel

1. Number of staff (current and additional): Not Applicable
 2. If from existing staff resources, number of staff hours: Not Applicable
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Applicable:
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Procurement

1. Summary of Procurement Implications: See report
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

- 3.1 In December 2015 the council signed a contract with BT for the delivery of IT services including:
- help/service desk
 - user/desktop support
 - IT network and IT infrastructure support
 - data centre support.
- 3.2 In September 2017 the council signed an extension of the contract scope with BT. An option to extend the contract duration until December 2023 was also taken up and there can be no further extensions to this contract. Therefore, the current IT Service support contract expires in 2023.
- 3.3 The rapid pace of change in technology, the council wide digital strategy and the challenges both current and emerging that the council face all point to the need to validate:
- service requirements and service levels
 - value for money
 - that the council is using and has access to the most valuable digital technology
 - that the council is employing the most efficient and effective service model to provide the Council IT requirements.
- 3.4 This case seeks approval from the Executive to approve the budget in order to engage the specialists to complete the afore mentioned detailed analysis in order to achieve the appropriate service model for the Council.

4. SERVICE PROFILE/DATA ANALYSIS

- 4.1 The ICT function within LBB is lean with 5 permanent FTE's, 2 Fixed Term FTE's and 1 agency staff and is structured around an outsourced delivery model with monitoring and overview taking place at a high level. The team ensures all governance and monitoring of the contract and SLA's.
- 4.2 The current IT Support is provided by BT through the PAN London Framework through Lots 1 (end user computing) & 3 (Datacentre services).The contract is a monthly 'consumption based' model, with no exit penalties or contractual commitment term.
- 4.3 The key services of support through the Lot 1 & 3 of the framework are:
- IT Helpdesk: this service aims to provide a 'first-time fix' of 70% of all calls, those that cannot be completed by the helpdesk agent then get assigned to either a 2nd or 3rd line support team to resolve within the relevant SLA.
 - Network Support & Server Management: These services include but not limited to monitoring, upgrading, security patch management, back-ups and trouble- shooting for all IT connectivity within the council.
 - End User computing: Full desktop & mobile hardware support

- Management of Software Licence Management & third-party support contracts (Ensuring compliancy)
- Procurement & Asset Management of IT equipment

5. OPTIONS APPRAISAL

- 5.1 A high level options have been identified and investigated for this report with a focus on high level business benefits.
- 5.2 Additional specialist expertise will be engaged should the budget be approved for the next phase of work which will have a greater emphasis on outcomes as part of more detailed research and analysis on the procurement options in this paper and to enable selection of the best option for the Council from December 2023.
- 5.3 CoE and CLT will be consulted to ensure current and future need is captured within specification to enable efficient and supported services to LBB residents.
- 5.4 The following factors and issues, and their potential implications and impacts, have been used for the options and Subject Matter Expert (SME) will carry out further detailed work in the next phase.
- Potential for joint procurement with other local authorities and/or public sector organisations.
 - Initial analysis of existing contract and arrangements (in advance of full benchmarking review proposed for next phase of work) to understand cost and service levels, risks of disruption.
 - Opportunities for and potential advantages of bringing any services in-house, balancing cost, quality of service, risk, and flexibility.
 - Implications – including capabilities and costs - for any expansion of the existing client function.
 - Risks from fragmentation of service provision by different suppliers.
 - Achieving savings balanced against risks - potential disruption, changes to existing arrangements including for users.
 - Placing of specific functions and services in-house or externally and the impacts and implications on contractual arrangements (i.e., changes to existing contract, need for a new procurement rather than transfer of existing). Specific functions and services to be considered include:
 - Systems Administration
 - Application support
 - 2nd+3rd line support
 - Network support
 - Procurement
 - Systems & Application Development
 - Service desk
 - Desktop support
 - Data centres
 - Need for new SLAs and KPIs.
 - Implications for resourcing and staffing, including potential TUPE issues.
 - Time – what options can realistically be fulfilled in time and which ones can't.
 - Contract duration – flexibility, balance between control and savings

5.5 The appraisal and evaluation of the options identified in this report, and those recommended for further detailed investigation in the next phase of work will be carried out by the SME reflect the Council's current requirements, digital ambitions, and current and future challenges for the Council.

5.6 An option to Do Nothing has been rejected as a non-viable option for the Council.

5.7 Options to be further investigated in Phase two are:

5.7.1 Option one – Like for like

Run a light open competition using an appropriate framework, should one be available with no or minimal changes to current contractual specification, scope or supporting arrangements.

Pros

- Provides incentives for savings and service improvements from competition.
- Less onerous and shorter process than full OJEU procurement.
- Provides a streamlined and less complex model to manage and oversee.

Cons

- May not address all requirements for changes and additions to IT services provision.
- Will not provide sufficient agility to address requirements from emerging and future challenges for the Council.
- May be lack of flexibility on scope, SLAs, KPIs compared to other options.
- Increased risks and disruption due to potential deployment of new supplier.
- Riskier transition phase.

5.7.2 Option two – Appropriate framework with specification changes to reflect current and future requirements

Run a 'light' open competition using an appropriate framework, should one be available based on the existing contract, specification, scope and supporting arrangements with changes, rescaling and revised operating model, to reflect taking some functions and services in-house and/or being provided by different suppliers. The contract will be outcome-focused with a refreshed service specification and scope to create savings.

Pros

- Provides incentives for savings and service improvements from competition.
- Less onerous and shorter process than full OJEU procurement.
- Some scope for savings.
- Provides a streamlined and less complex model to manage and oversee.
- Allows for amendments and additions in the scope and contract.

Cons

- May be lack of flexibility on scope, SLAs, KPIs compared to other options.
- Increased risks and disruption due to potential deployment of new supplier.
- Potentially riskier transition phase.

5.7.3 Option Three – Run a full procurement.

Run a full procurement exercise to select a new primary supplier, based on a new contract approach with changes, rescaling and revised operating model, to reflect taking some

functions and services in-house and/or being provided by different suppliers. The contract will be outcome-focused with a refreshed service specification and scope to create savings.

Pros

- Provides platform for full refresh of scope, contractual and supporting arrangements.
- Full competition gives incentives to bidders.
- Trusted approach providing assurance.
- Gives a framework for engagement and dialogue to better achieve required outcomes including revised KPIs and SLAs.
- Provides a structured and assured model for management and oversight of operations and delivery.

Cons

- Highly onerous process requiring additional work, resources, and increased costs.
- Required stages may pose challenge with additional resource requirements, costs and timeline to complete to necessary quality standards.
- Lack of flexibility due to fixed processes and highly formalised protocols and procedures for information exchange and engagement.

5.7.4 Option Four – In house Service

Replace the current supplier model with one which brings all functions and services currently provided by the supplier in-house and procure new contracts as necessary for services that may then be externalised.

Pros

- Gives full control back to Council on all aspects of IT service provision.
- Gives council much greater agility on IT/Digital service provision.
- Allows for greater flexibility for changing operational and delivery arrangements and to meet user needs.
- Enables competition between suppliers.
- Allows for grouping of related services to incentivise potential suppliers and achieve savings.

Cons

- Completion of necessary review and analysis work to support this approach may prove challenging given all service provided under IT provision is currently provided by the contractor.
- Complexity of enabling services to be moved and then operated in-house or externalised may not be achievable in the time available and may require additional resources, new processes and incur extra cost.
- Potentially overly complex and fragmented operational model which is difficult to manage and oversee and will require expanded client function.

6. RECOMMENDED OPTIONS FOR FURTHER INVESTIGATION

6.1 The recommendations for options to be taken into the next phase of work are based on the key appraisal factors noted previously, which were:

- Establishing arrangements in the time available before end of current contract.
- Minimising disruption and risk to provision of IT services and to the Council.
- Minimising costs of addressing end of current contract.

- Improving agility for the council.
- Providing sufficient flexibility for changes to scope of services and delivery arrangements including operating model.

7. MARKET CONSIDERATIONS

- 7.1 An initial exercise to establish the current status of IT services provision in London local authorities and Kent County Council indicates that the majority have or are insourcing. There are some shared services arrangements, usually between two authorities in each incidence, and it is unlikely that the number of participants within each shared service set-up will extend. Hybrid models, with services insourced and the use of multi-sourcing approaches to ensure best provider for each service, are becoming predominant. Full or significant outsourcing of IT services provision to one primary provider is still evident but in decline.
- 7.2 The identification and appraisal of options in this report has also been informed by research and analysis from Gartner and other trusted sources.

8. NEXT PHASE OF WORK, PROJECT TIMESCALES AND GOVERNANCE ARRANGEMENTS

- 8.1 The purpose of the next phase of work is to allow officers to investigate and evaluate the options in this report and to recommend the best procurement option for the Council.
- 8.2 A detailed appraisal of the business benefits, based on the key factors noted above, will be done and a recommendation report will be presented to the members. Particular emphasis will be given to:
- Changing organisational and user needs
 - The evolution of technology and opportunities to use these in the context of the Council's Digitalisation and Digital Transformation
 - Improvements to the quality of services for the organisation, users, and the IT department.
 - Ensuring 'agile' contractual and operational arrangements to give flexibility for changes and exit whilst minimising risk, cost, and disruption.
- 8.3 The following IT service requirements will be considered in the next and subsequent phases of work for inclusion in the new contract, service provision and operational arrangements.
- Continued provision of information governance and security services by an independent third party for assurance purposes, including IG and PSN compliance.
 - The addition of:
 - MFD-related services currently covered by a separate contract.
 - Telephony services for remote sites currently covered by separate arrangements.
 - Stronger Ransomware Attack backup services to increase security.
 - Strengthening of ICT disaster recovery arrangements,
- 8.4 The following outputs will also be completed in the next phase and presented to members:
- A review of potential, frameworks with a high-level review of comparable costs service scope and performance standards.
 - Explore potential for shared service and shared procurements.
 - A benchmark review of the current contract and associated arrangements to ensure the final recommended option provides value for money and is the most effective for the Council.

- A SWOT/RAID-based review of the whole IT service, both internal and external to include client and contractual arrangements, to inform any changes required to the overall IT operational model.
- A proposed target operating model will be developed to reflect the outcomes of this review.
- A review of KPIs and SLAs to ensure the recommended option achieves the optimal balance of control, assurance, cost, ease of management and oversight and quality of service.

8.5 The provisional budget for Phase 2 costs is shown in the table below.

FY 21/22	
Program Manager	£70,000
Specialists/Subject Matter Experts (SME)	£77,000
Program Support	£30,000
Market Assessments	£20,000
Total	£197,000

The report delivered in the next phase of work will recommend the best option and include detailed costs for delivering that option.

8.6 The timeline for the next phase of work is shown in the table below.

Date	Activity
June 21	Member decision making on this report and its recommendations.
July 21 – Jan 22	Appraisal and evaluation of options recommended in this report.
July - Sept 21	Undertake benchmark review.
July - Oct 21	Internal research and review including organisational requirements.
July - Nov 21	Full service review (internal and external components).
July - Nov 21	External research and review – peers, trusted sources, best practice.
Sep - Dec 21	Develop and finalise IT service delivery/operational model.
Dec 21- Early 22	Drafting of report including provisional recommended option and programme plan.
Early 22	Finalise and submit report for internal consultation.
Early 22	Report review and clearance by statutory Council functions.
Early 22	Member decision making on final report and recommendations.
Early 22	Initiate programme plan as recommended in final report, amended as required following Member review and decision making.

8.7 A indicative and high level timeline for the full programme is shown in the table below. A complete timeline will be developed as part of the fuller programme planning in the next phase of work.

Date	Activity
Jul 21-Jan 22	Finalisation and approval of service design, operational model, outcomes and SLAs, KPIs <i>(All options)</i>
Feb – April 22	Publish prior information notice (PIN) <i>(Options 5 - lighter protocol - and 3)</i>
Feb - April 22	Soft Market Test <i>(All options, to validate approach)</i>
April – May 22	Publish OJEU and PQQ <i>(Options 3 and 5)</i>
April - May 22	Bidders Day <i>(Options 3 and 5)</i>
May – June 22	PQQ Returned <i>(Options 3 and 5)</i>
June – July 22	Shortlisted suppliers selected <i>(Options 3 and 5)</i>
June – July 22	Draft ITT Released <i>(Option 3; lighter process for Option 5. To make sure all shortlisted providers are onboard)</i>
Aug – Sept 22	ITT Released <i>(Option 3; after a period of tender clarification with shortlisted tenderers. Lighter process for Option 5)</i>
Oct - Nov 22	Invitations to tender (ITT) returned <i>(Option 3. Lighter process for Option 5)</i>
Nov – Dec 22	Post-tender clarifications <i>(To enable transfer of any additional information required by LBB. Lighter process for Option 5)</i>
Jan - Feb 23	Tenders received
Early 23	Tender evaluation Preferred Bidder <i>(Options 3 and 5; Option 3 evaluation most onerous)</i>
Early 23	Internal approval <i>(Exec Officer and Member approval plus internal clearance)</i>
April – May 23	Decision approved <i>(10 day standstill period)</i>
May – June 23	Sign contract <i>(All options)</i>
May-Dec 23	Transition to new service <i>(Requires 6 months but July/Aug holiday impacts require May start. All options but Option 3 most onerous)</i>

Dec 23	Current contract ceases: new service begins <i>(All options)</i>
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9. SUSTAINABILITY AND IMPACT ASSESSMENTS

N/A

10. POLICY CONSIDERATIONS

N/A

11. PROCUREMENT RULES

11.1 This report seeks agreement for additional resources to fully analyse and explore procurement options for the IT provision and subsequent Service Support Models. The provisional budget for these resources is £197k.

11.2 In accordance with Clause 3.5 of the Contract Procedure Rules, the Head of Procurement will need to be consulted regarding the use of a Framework, if this is the chosen route. If the value of the contract is above the thresholds set out in the PCR 2015, it must be conducted in line with cl. 33 of the same.

12. FINANCIAL CONSIDERATIONS

12.1 The current revenue budget for the IT services contract is £3.8m. Funding of £197k is requested at this stage for which there is no existing budget provision. If the recommendation is agreed, this resource in 2021/22 can be met from underspends on the revenue budget arising in 2020/21 that are set out in the Outturn Report elsewhere on this meeting's agenda.

12.2 There will be further resource implications in order to proceed with the preferred procurement option, with that cost dependent on the selected method. As set out above, officers will be submitting an update report early 2022 which will also need to set out any additional costs and funding requirement for consideration by Members.

13. PERSONNEL CONSIDERATIONS

13.1 This is at an early stage of procurement options and HR implication will be considered as the procurement options are investigated and the progresses. The required resources are required partly because of capacity/capability. Internal resources are being stretched across a number of complex priorities not helped by the impact of the pandemic. The resources will be engaged on a 'contract for services' and not 'contractor of services and thus they are not Bromley staff. Thus, there are no direct personnel implications arising from this request.

14. LEGAL CONSIDERATIONS

14.1 The proposal is to engage additional staff through Matrix SCM the Councils Agency staff provider to carry out the work detailed in paragraph 8 of this report. Any future procurement of IT services will need to be carried out in compliance with the Public Contracts Regulations 2015.

14.2 Officers should consider the Public Services (Social Value) Act 2012. The Act places a requirement on commissioners to consider the economic, environmental and social benefits of

their approaches to procurement before the process starts. They also have to consider whether they should consult on these issues.

14.3 Officers should also consider implications under the recently published government Procurement Policy Note 5/21 (PPN). The PPN requires all contracting authorities to consider the following national priority outcomes alongside any additional local priorities in their procurement activities:

- creating new businesses, new jobs and new skills;
- tackling climate change and reducing waste, and
- improving supplier diversity, innovation and resilience.

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	