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**OXFORD
CITY
COUNCIL**

To: **City Executive Board**

Date: **30th July 2015**

Report of: **Head of Business Improvement**

Title of Report: **Award of contract for IT Infrastructure Services**

Summary and Recommendations

Purpose of report: To advise the City Executive Board on the outcome of the tender process carried out to appoint one or more IT infrastructure partners and recommend award of a single contract for all five lots to Specialist Computer Centre Ltd (SCC Ltd).

Key decision: Yes

Executive lead member: Councillor Susan Brown, Board Member Customer and Corporate Services

Policy Framework: Corporate Plan Objective of delivering an efficient and effective Council

Recommendation(s): That the City Executive Board:

1. **grants project approval** for the new IT Infrastructure arrangements described in this report;
2. **approves** the award of a single contract to SCC Ltd. to deliver all five service lots as set out in the tender for IT infrastructure for a period of five years with the option to extend for up to a further five years;
3. **delegates authority** to finalise the detailed terms of the contract with the said supplier to the Executive Director, Organisational Development and Corporate Services, in consultation with the Head of Law and Governance.

Appendices:

   Appendix 1 – Risk register
   Appendix 2 – Tender scores

Background

1. The Council entered into a partnership agreement with Oxfordshire County Council in April 2009 for the provision of IT services. The partnership included the transfer of the City's IT staff to the County Council. Management of the business applications remained with the City Council and the staff carrying out these roles were subsequently brought together into a central support team within Business Improvement. The partnership agreement is due to expire on 31 March 2016.

2. The seven year partnership with the County Council has successfully delivered:
    *   Replacement PCs and laptops across the whole estate
    *   A virtualised server environment
    *   Windows 7 upgrade
    *   A resilient data centre now externally managed
    *   A consolidated ICT Service Desk and Service Support function
    *   A complete refresh of the Local Area (LAN) and Wide Area Networks (WAN)

3. The City and County jointly appointed an external specialist to review what if any options there might be for the partnership to continue, but concluded that a lack of synergy between the two service areas due to not utilising the same key applications or technology platforms would limit any longer term benefits of the partnership.

4. The commercial infrastructure market is mature and constantly innovating and able to provide a more agile option to meet the demanding timelines and flexibility in being able to scale up or down our server requirements or make changes in order to deliver future Council services.

Options for a new Infrastructure Partner

5. In the autumn of 2014 the Council carried out a soft market test to understand the available options. The outcome of this review was as follows:

    *   **Partnership with other Councils**
        At the time of the review other Councils that had their own infrastructure were unable to commit to offering infrastructure services to the Council due to their own priorities

    *   **Purchase infrastructure as a service**
        This is still fairly new in the marketplace and the current approved government frameworks limit the contract length to two years. The cost and work involved in transition and managing the change would make this option expensive and limit the ability to get any longer term value from the contract.

    *   **Carry out an EU tender and award contract(s) for the range of infrastructure services required.**

A soft market test resulted in responses being received from five organisations. The information provided identified that all suppliers could offer services that would meet our requirements at a cost that was within budget. The soft market test also identified:

- Significant competition from a range of different suppliers
- A mature marketplace
- Suppliers with a good understanding and experience of public sector working and security standards.
- Specialist providers able to offer parts of the service, therefore enabling SMEs to apply for parts of the contract.

6. Consequently a full EU restricted tender has been carried out to maximise competitive leverage

Tender process

7. The tender was advertised as seven lots detailed below.

Lot	Name	Description
1	Data Centre Hosting	Provision of data centre capacity, racks and connectivity. Dual site resilience and resilient network connections
2	Server and Storage Capacity	Central processing unit and, memory and storage for virtual and physical machines. Including backup/recovery tools and capacity
3	Server technical support	Server Patching Event monitoring Performance Management Capacity Management Resources for Technical Projects
4	Database Administration	Database Patching Database Maintenance / Housekeeping Event monitoring Performance Management Capacity Management Resources for Technical Projects
5	Network Security Infrastructure and support	Design, Installation and maintenance of agreed security infrastructure and tools; Security Patching Event monitoring Performance Management Capacity Management Resources for Technical Projects
6	IT Service Management tools	IT Service Desk; Asset Management; ITIL Processes (incident, problem, change, service request); IT Service Catalogue
7	IT Service Desk Operations	Operational support of service desk and IT device management using IT service management platform

8. The tender was advertised in December 2014. The OJEU notice also listed other Oxfordshire Councils thereby providing an opportunity for others to use this contract in future

9. Forty seven expressions of interest were received.

10. Variable qualities of responses were received for lots six and seven proposing non- standard service desk solutions. These options would have limited the Council's ability to develop this part of the service in the future. Consequently the panel agreed not to proceed with lots six and seven and purchase a hosted service desk solution and bring this part of the service in house.

11. Sixteen bidders were invited to tender for the remaining five lots. To support the tender process two bidder events were held to ensure all bidders had the opportunity to ask questions and fully understand our infrastructure requirements.

12. The tender has been structured so that the Council enters into contracts with suppliers based on their standard service levels that meet our requirements. Bidders have not been asked to price for bespoke service levels that are not part of their standard service.

13. The tender evaluation has been carried out by the ICT technical management team, finance and procurement. Service representatives have attended the bidder interviews and clarification meetings, providing feedback and scoring for these areas.

14. References and a site visit have also taken place to fully understand the services provided by the proposed supplier to other organisations.

15. Price Waterhouse Cooper (PWC) the Council's internal auditors have also provided specialist support by reviewing the tender submissions and assisting in identifying potential areas of clarification that need to be addressed. PWC have also reviewed the final solutions and tender scores and provided assurance on the tender result and commercials.

16. External specialists in Infrastructure Outsourcing and Network Security provided guidance on the technical specification and reviewed the Invitation to Tender (ITT) responses to also identify specialist clarification points.

Tender evaluation results

17. Most of the bidders proposed a form of "cloud" services where multiple customers use shared but secure resources. SCC is proposing their "Sentinel" platform for the data centre hosting. This is already being used by more than 20 government customers. The platform has been independently accredited for use on Government secure networks which demonstrates its resilience and robustness. In the past 2 years the platform has been available 100% of the time.

18. Throughout the ITT process SCC consistently showed themselves to be professional and responsive by taking note of the information provided and

the specification requirements and offering relevant and comprehensive technical solutions.

19. All of the bidders were able to deliver the requirements as laid out in the specification and meet the required service levels. The references, site visit and stakeholder interview confirmed that SCC's culture of customer service was a good fit for this contract and matches the culture and aspiration of the Council.

20. Tender scores can be found in Appendix 2 together with a summary of the tender prices for each lot

Financial Implications

21. The available budget for the delivery of the ICT function currently provided by the County Council from 2016/17 is £979k.

22. The budget requirement to cover the cost of the services that will be delivered in house is £375k.

23. The available budget to deliver the five lots within this contract is therefore £604K and takes into account the £150k saving the service needs to achieve in 2016/17.

24. The tender price offered by SCC Ltd across the five lots is £577k. This price includes project days which are likely to be required to deliver new initiatives and application developments. These will be paid for on a "call off" basis up to the level as set out in the contract.

25. SCC Ltd offered the lowest price for three of the five lots and the lowest overall price for the combination of all 5 lots.

26. SCC Ltd also achieved the highest score based on price and quality for each individual lot.

27. The potential saving of £27k against the budget will be held as a contingency towards funding future hardware requirements.

28. Prices are fixed for the first five years of the contract with no additional indexation.

29. The contract pricing and budget requirements have been signed off by finance and independently reviewed by PWC.

30. The transition cost of changing from one provider to another requires a detailed work programme, appropriate skills, internal governance and budget.

31. The cost of transition with SCC Ltd is less than half the price quoted by any of the other bidders and is within the budgetary provision reserved for the project. This is partly due to their use of an existing platform and partly because they already host the data centre on behalf of the County Council.

32. The transition will commence on 1 September and be overseen by a project board which will subsequently form the IT contract management board.

33. The IT service has prioritised its own resources to manage the transition and Heads of Service are aware that this work is being prioritised above any other improvement projects. The County Council has also created resources to work proactively with the city to ensure a smooth transition for all parties.

Contract Management and Risk

34. Oxfordshire County Council has confirmed that they do not consider that TUPE will apply to any of their staff. The County IT service is designed so that the services provided to the city are part of their overall service provision and therefore it is understood that no one employed at the County is employed primarily on city work.

35. The new contract will be managed on a day to day basis by a dedicated contract manager within the new Business Improvement structure. A new ICT contract management board who will oversee the contract and have service representatives on the board. The board will be chaired by the Head of Business Improvement and will meet at least quarterly. The Chief Technology Manager will be accountable for the day to day management of the contract.

36. SCC Ltd will be required to produce monthly performance reports detailing performance against the KPIs, progress with project delivery and new innovations to deliver new savings and benefits to the Council. A financial framework to ensure there is sufficient dis incentive to deliver below the agreed service level has been agreed and contractual terms which mitigate the Council's financial exposure to risk from service failure has been agreed and provides

   - A Service Credit framework offering a rebate up to 20% of the monthly fee if the service standards are not met.
   - Liquidated damages up to a maximum of £5 million for any incident due to failure of the service for a period of more than eight working hours.

37. SCC Ltd has provided a draft transition plan for the next six months to ensure a smooth transfer of services from the County Council. SCC Ltd already hosts our data within the County's data centre provision and has a good relationship with the both Councils. The County Council are already working with our IT team to separate our data structure and enable a smooth transition to a new provider.

38. The effective management of this contract is crucial as the service impacts on the delivery of almost all Council services.

39. The new contract will provide business continuity through a secure data centre based seven miles from the main data centre. All data on every live application managed in the data centre can be recovered within an eight hour maximum timeframe.

Equalities Impact

40.	This will be a commercial contract with a regionally based supplier accredited and currently delivering similar services to 20 other government and public bodies.

41.	SCC Ltd passed all of the Council's selection requirements covering our equalities requirements and is committed to paying our Living Wage. This contract will not present any equalities impact for our staff or the public.

42.	TUPE has been covered in the next section of the report.

Legal Implications

43.	This tender has been carried out using the restricted tender process in accordance with the UK Public Contract Regulations. The final contract award will be subject to finalising the contract terms.

44.	The County Council has confirmed that following a review by their HR service they consider that TUPE will not apply to the transfer of the IT function to the Council or the new supplier. No IT function provided by our own IT team forms any part of the services included in this tender. And therefore TUPE is also deemed not to apply to any of the in house IT team.

45.	The contract will be in place for a period of five years, any contract extension beyond five years will be at the discretion of the Council.

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List of background papers: Nil

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