

AGENDA ITEM: 17

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Meeting	Cabinet Resources Committee
Date	4 th April 2012
Subject	Information Systems Contracts
Report of	Deputy Leader and Cabinet Member for Resources and Performance
Summary	The report seeks: (i) waiver of, relevant, rules within the Council's Contract Procedure Rules to enable regularisation of contractual arrangements within Information Systems; (ii) authority to regularise contracts; and (iii) authority to extend a number of Information System Contracts.

Officer Contributors	Andrew Gee, Acting Head of Information Systems Service Delivery
Status (public or exempt)	Public
Wards affected	ALL
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable
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1. RECOMMENDATION

That the committee waives relevant Contract Procedure Rules and:

- 1.1 Authorise the variation of the, existing, contract between the council and 2e2 who currently provide the council with a managed service for infrastructure. , authorise additional spend associated with the Telephone technology refresh project, and Infrastructure refresh activity, cost £350,000. Authorisation required to spend £18,000 to provide a contract management e-learning module for staff.
- 1.2 Authorise spend with Hewlett Packard (HP) for the current financial year until March 2012 cost £295,000.
- 1.3 Authorise spend with Insight for the current financial year until March 2013, to include purchase of HP products. Spend for 2011-12 £328,000, forecast spend for 2012-13 £450,000.
- 1.4 Authorise regularisation of the contract with Caretower. Authorisation is required to spend £15,930 this financial year to pay outstanding maintenance and to spend a further £15,930 in the forthcoming financial year till 31st March 2013;
- 1.5 Authorise continued interim Software Maintenance payments to cognite for the Committee Papers System of £19,200 per annum,
- 1.6 Authorise continued Software Licensing and support on the LANDesk System currently supported by Sparxent Europe Ltd. Authorisation to spend this financial year 2011-2012 covering licensing and support and the financial year 2012-2013. Authorisation is required for additional spend of £48,000, total contract spend of £96,000;
- 1.7 Authorise the variation of the existing contract with Logica the current SAP managed service provider to replace the current obsolescent hardware provision Total cost of the one off Hardware refresh is £200,000. Annual estimated cost for 2012-13 £1.2 million, which has been allocated through the Council's Forward Plan.
- 1.8 Authorise the continuation of the Software Maintenance on the Quest Spotlight and Message Stats software for 2011 -12 and 2012-13. Authorisation required for £13,000, annual cost £6,500.
- 1.9 Authorise continued payment to Civica for the current financial year and to maintain the licensing and support for 2012-13. Authorisation is requested for £16,000;
- 1.10 Authorise payments for 2011-12 and to continue payments through to March 2013 to Hornbill for the Support Works software used in both IS and HR areas. The annual cost is £20,000;
- 1.11 Authorise payments to Scansafe for 2011-12 and continue payment for 2012-13. The annual cost is £40,000, total authorisation is required for £80,000;
- 1.12 Authorise continued maintenance payments for 2011-12 of £36,000 and to continue payments for 2012-13 for existing library RFID systems. Authorisation

required for £72,000;

- 1.13 Authorise spend with the Federation against Software theft, (FAST) the software compliance organisation for continuing membership in financial year 2011-12 and financial year 2012-13 of £14,000 per annum, total authorisation requested £28,000.;
- 1.14 Authorise variation of the contract with MessageLabs, which provides the secure e-mail service Additional authorisation is required for £18,000 in addition to existing authorised spend.
- 1.15 Authorise payments to Vodafone for a period of two months whilst the competitive tender exercise is completed. The annual value is £286,000, however authorisation requested for two months at a cost of £47,700; after this period a compliant contract will be in place.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee at its meetings on 16th June 2011 and 6th September 2011 reviewed and agreed the Procurement Controls and Monitoring Plan produced following the comprehensive review of the Council's contract monitoring arrangements.
- 2.2 Decision made by CRC in 2/12 to authorise a contract with Message labs to provide secure e-mail at a cost of £104,000

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The authorisations, set out in the Recommendations in Section 1, are sought in order to ensure that Information Services (IS) does not hinder or impede the Council's 'One Barnet' Programme objectives. Therefore, IS needs to secure that there are compliant and appropriate contracts in place to cover the period between now and the 'Go Live' date(s) for the, relevant, One Barnet Programme project(s)
- 3.2 Going forward the, relevant, contracts, varied, extended and made compliant, will progress the Council's Corporate Plan: Better services with less money – through efficient procurement and contract management, including reduction of administration costs associated with placements.

4. RISK MANAGEMENT ISSUES

- 4.1 If the contracts, identified in this report, are not regularised and extended, the Council will lose the opportunity to bring together corporate support services from across the Council to create a better, more efficient service and looking over the long term, the potential to use this partnership to deliver services to others. The remaining estimated time for the New Services, Customer Services Organisation (NSCSO) procurement process is 10 months to Contract award.
- 4.2 Unless the option to vary and extend contracts is exercised the council will need to carry out costly tendering processes before January 2013, resulting in arrangements that may not deliver best value for money.

- 4.3 Some of the savings identified in 2012-13 budgets have been based on the re-negotiation of existing support contracts. If waivers are not granted then there is a risk that predicted savings may not be achieved.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.
- 5.2 All future partners/contractors will be made aware of their obligations under this act as part of the procurement process.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The anticipated 2012/13 spend relating to these contracts is tabulated below and includes RPI uplifts to which the existing contracts are subject. These uplifts will be challenged but where suppliers enforce the uplift, or a lower percentage increase, the result will be a pressure on IS budgets. The contracts below are funded within the existing IS budget provision or within other Service Budgets. Table one shows the contracts where the cost comes from IS and other services budgets. Table two shows contracts funded within solely within IS budgets.

Table one

Contract	2011/12 spend	2012-13 spend
2e2	£350,000 for One Barnet projects and refresh activity and £18,000 one off in addition to current contract value	
HP (Essex online Partnership)	£295,000 Spend comprises of IS capital projects and requests for IT equipment from within other Service Areas.	
Insight	£328,000 Spend comprises of IS capital projects and requests for IT equipment from within other Service Areas.	£350,000 £100,000

Table two

Contract	2011/12 spend	2012-13 spend
Caretower	£15,930	£15,930
Cognite	£19,200	£19,200
LANDdesk	£48,000	£48,000

Logica		£1.4m
Quest	£6,500	£6,500
Civica (PTC)	£8,000	£8,000
Hornbill	£20,000	£20,000
Scansafe	£40,000	£40,000
Library RFID	£36,000	£36,000
FAST	£14,000	£14,000
MessageLabs	£18,000	
Vodafone	£23,850	£23,850

6.2 There are no issues related to Staffing and Property

7. LEGAL ISSUES

7.1 In the event that the lifetime values of the contracts, dealt with within this report, exceed the, relevant, European Threshold, the Public Contracts Regulations 2006 (as amended) will apply. Any non-compliance with the Regulations carries a risk of legal challenge and the imposition of sanctions if successful.

7.2 With reference to contracts, which have values above the, relevant, EU threshold it is considered that reliance may be placed upon Regulation 14 of the Public Contracts Regulations 2006 (as amended), which implement the European Directive into domestic legislation. Regulation 14 enables a Contracting Authority to negotiate a contract with a particular supplier, without the publication of a contract notice, when, for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the public contract may be awarded only to a particular economic operator.

7.3 The Treaty provisions of equal treatment, fairness and non-discrimination must be complied with, by the council, in carrying out its functions and in exercising its powers.

7.4 With respect to the council's own Contract Procedure Rules, the Cabinet Committee has power to waive any one of more of those Rules if satisfied that waiver is justified on any one or more of the grounds set out in Section 8, below.

8. CONSTITUTIONAL POWERS

8.1 The Constitution, Part 3, Section 3.6 sets out the functions of the Committee, including the power, set out in contract procedure Rule 5.5 and Table 5-1, to Authorise and Accept contracts.

8.2.1 Section 5.8 of the Contract Procedure Rules enables a Cabinet Committee to waive the requirements of the Contract Procedure Rules if satisfied, after considering a written report by the appropriate officer, that the waiver is justified because:

8.2.2 the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or

8.2.3 the contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or

- 8.2.4 the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English Law); or
- 8.2.5 there are other circumstances which are genuinely exceptional.
- 8.2.6 Waiver of the Contract Procedure Rules is being sought, herein, on the basis of exceptional circumstances, in view of the complex nature of the contracts dealt with in this report; the time which it would take to carry out full procurement process(es); and the impending externalisation of NSCSO to an private partner.

9. BACKGROUND INFORMATION

- 9.1 Historically, the procurement and management of contracts for IT were owned by the IT department and managed in line with corporate procurement guidelines. The set-up of IT within local government is very complicated and a number of interdependences between systems need to be effectively managed to run an effective operation. During periods of significant change, it is not prudent to change systems that are operating effectively as this introduces new risk into the delivery of the IT and this can lead to additional cost to resolve the impact of any failure from unnecessary technical changes.
- 9.2 Over the last 5 years, devolved IS teams and capability from across the organisation have been centralised into the corporate IS team. In creating this capability a number of additional contracts were inherited and many of these would now need to be re-procured. As the council is seeking to procure a new partner through NSCSO, it would be inappropriate to re-procure contracts at this stage as best value is usually obtained through longer term contracts, and novating long term contracts to a new supplier in January 2013, may introduce the risk of additional cost. The background for each contractual arrangement where IS are requesting a waiver of Corporate Procedure Rules is listed below.
- 9.2.1 **2e2**
The authority has a requirement to procure an online system to enhance the training provision for staff. The development is for the provision of a flexible LBB maintained training portal. The initial use of the system will be to provide enhanced self service procurement training, but future use is not limited and it can be used to develop training on any subject. A number of suppliers have been approached to quote for this work, however, despite best endeavours, the only supplier willing to quote for this extra service are 2e2 at a cost of £18,000. This report requests authorisation to vary the existing contract to include the provision of the e learning module at a cost of £18,000. Current total annual cost of the 2e2 contract is £950,000 approved by CRC in 2009. Authorisation for additional costs of £368,000 for 2011-12 for part incurred costs of the Telephone technology refresh project, and Infrastructure refresh activity and future planned work of the e-learning module.
- 9.2.2 **HP (Essex online partnership)**
The arrangement with HP was entered into, in May 2010, on the basis of the Essex Online Partnership. A range of products, including but not limited to printers, PC's laptops and tablet devices have been/are being procured through this arrangement, until 31st March 2012. However, following scrutiny of our internal compliance it has been noted that this contract with HP may no longer be compliant. Authorisation is, therefore, required for spend of £295,000, in respect of these items, until 31st March 2012. As an interim solution, authorisation is being sought to vary the council's contract with Insight to

account for this extra spend, post 31st March 2012.

9.2.3 **Insight**

The call off procedure followed to appoint Insight was competitively tendered through the Buying Solutions framework in May 2010. The framework is compliant and can be used for call off procedures until 28th March 2013. Authorisation is required to enable spend with Insight to include the provision of IT software licences, all hardware including HP until 31st March 2013. Annual spend for 2011 – to date is £328,000 and forecasted spend from to date to 31st March 2013 is £350,000. In the interim period identified above authorisation is required to purchase HP products with a forecasted expenditure of £100,000 from Insight whilst a competitive procurement process is undertaken

9.2.4 **Caretower**

The Caretower hardware for the LogRythm system was installed to maintain compliance with the provisions of the Government secure extranet (GCSx) The support is single source and required as insurance against failure of the specialist hardware. Cost for 2011-12 is £15930 and for 2012-13 £15930.

9.2.5 **Cognite RDT committee papers system**

The current Committee Papers procurement began in 2004 as a replacement system to its predecessor system called TROVE which was competitively tendered for at the time. A project is currently underway to replace this system, being led by the Governance Service and approval is sought to continue support payments until the replacement system is installed, tested and proven. Cost of £4800 per quarter and £19,200 per annum.

9.2.6 **LANDesk**

The LANDesk System currently procured from Sparxent Europe Ltd. The LANDesk System software was competitively procured in 1999 to provide a “discovery tool allowing greater management of the Council’s IT services and infrastructure. As part of on-going improvements to the IS service its use was extended to cover a large range of system and security management services, including remote software distribution and audit capability. Value for money has been established by obtaining competitive quotes which have indicated that our current solution is cost effective. The annual licence component of the spend is £28,000 and the support contract is a further £20,000. Authorisation is requested to spend £48,000 for a suitable license and support contract from 1st March 2012 to the 28th Feb 2013.

9.2.7 **Logica**

The Hardware underpinning the SAP ERP system was procured with the SAP Software as part of the Modernising the Way we Work (MWW) programme undertaken by the council in 2004. The server infrastructure is run by the managed service provider Logica, and located in the Bridgend data centre. Key components of the hardware now need replacing. The proposed architecture design maximises available features balancing cost, performance and fault tolerance:

The cost of this refresh is £200,000 and authorisation is sought to vary the existing contract to include this work. Annual cost for 2012-13 is £1.2 million which has been allocated through the Council’s Forward Plan.

9.2.8 **Quest**

The Quest software products ‘Spotlight’ and ‘Message stats’ were procured as a cost effective tool to manage the LBB Microsoft mail systems. They are fully integrated and

embedded in the management of the Microsoft 'Outlook' mail system used by LBB as a primary communication channel. Any change to these applications would require tender of requirements and new capital investment. The current annual support cost for the two products is £6500 per annum, authorisation total request £13,000.

9.2.9 **Civica (PTC)**

The PTC scheduling software is used to provide back office automation in scheduling overnight file transfers between LBB systems. Authorisation is sought to continue the maintenance payments licensing the existing software until March 2013 at an annual cost of £8,000

9.2.10 **Hornbill**

The Hornbill product 'Support Works' was originally procured via an OGC Buying Solutions framework in 2009. Subsequently the scope of the application was extended to include the functionality required for the HR helpdesk. Authorisation is sought for £20,000 for 2011-12 and to extend this contract for one year until March 2013 for a further £20,000 by which time the new NSCSO provider will be in place. Total authorisation requested £40,000.

9.2.11 **Scansafe**

The ScanSafe contract was novated in 2004 from the original Star Internet contract to LBB as part of the MOI project and has subsequently continued in force under the annual renewal clause present in the novated contract. The current Scansafe cost is £40,000 per annum which is to be paid in March 2012 Scansafe provides a Web filtering and scanning service provided, which ensures employee compliance with IS policies required for regulatory assurance, and protects the IS infrastructure against malicious attack. Authorisation is required for 2011 -12 at a cost of £40,000 and to pay the 2012-13 contract value of £40,000, total authorisation required is £80,000.

9.2.12 **Library RFID systems**

The council library service has RFID installed at 7 locations and is authorised under the Library strategy programme to procure 7 more similar systems for other locations. Authorisation is sought to place the maintenance contract with existing provider. The cost of the existing maintenance is £36,000 per annum, total authorisation required is £72,000.

9.2.13 **Fast**

The Membership of the Federation against Software Theft, (FAST) the UK compliance organisation is part of the IS software compliance programme. Since its launch in 1984, The Federation has been the UK's leading authority on software piracy issues. LBB are participating in the software compliance programmes run by this vendor. Authorisation is required for 2011-12 and 2012-13 to continue membership at an annual cost of £14,000, total authorisation required £28,000.

9.3.14 **MessageLabs**

To extend the provisions of the secure e-mail service authorised in the CRC report of 28th Feb 2012 to extend from 1000 users (500 initial trial + 500 new provisions) to 2000 users increasing the authorised cost under the contract from £104,000 to £122,000 per year in line with instructions received from the information Governance committee. Due to the contract being regularised the increase in user numbers is largely offset by the negotiated reduction in costs. Costs per user per month reduced to £2.34 as opposed to £3.15 per month under the current contract, giving an annual increase of £18,000 over that currently authorised.

9.3.15 **Vodafone**

To authorise payments to Vodafone until the end of April 2012, when a compliant contract will be in place. A direct award is in the process of being finalised which will be for a two year period and has been awarded on the basis of Vodafone being the cheapest supplier.

10 **LIST OF BACKGROUND PAPERS**

10.1 None.

