

Resources Scrutiny Commission (formerly Business  
Change and Resources Scrutiny Commission)



## Agenda

**Date:** Thursday, 28 February 2019

**Time:** 4.00 pm

**Venue:** Room 1P05, 1st Floor - City Hall, College Green, Bristol,  
BS1 5TR

### **Distribution:**

**Councillors:** Stephen Clarke (Chair), Afzal Shah (Vice-Chair), Donald Alexander, Mark Brain,  
John Goulandris, Margaret Hickman, Tim Kent, Sultan Khan, Graham Morris and Clive Stevens

**Issued by:** Johanna Holmes, Scrutiny Advisor

City Hall, PO Box 3167, Bristol, BS3 9FS

Tel: 0117 90 36898

E-mail: [democratic.services@bristol.gov.uk](mailto:democratic.services@bristol.gov.uk)

**Date:** Tuesday, 26<sup>th</sup> February 2019



# Agenda

## 13. ICT Systems and Strategy - Exempt

This supplement consists of the following papers:

**(Pages 3 - 12)**

- Future State Assessment Cover Report
- Future State Assessment Cabinet Report
- Appendix A Delivery Partner

Previously Published (exempt)

- FSA Delivery Board – Meeting Log
- FSA (Independent Third Party) Audit Report



# Resources Scrutiny Commission

28<sup>th</sup> February 2019



**Report of:** Simon Oliver, Director - Digital Transformation

**Title:** IT Programme, Future State Assessment – Delivery Partner and Procurement Approach

**Ward:** N/A

**Officer Presenting Report:** Simon Oliver, Director - Digital Transformation

## Recommendation

For Members to consider and comment on the following report which will be taken at the 5<sup>th</sup> March Cabinet Meeting.

Reports attached:

-: IT Programme, Future State Assessment – Delivery Partner and Procurement Approach

- :Appendix A. IT Project, Future State Assessment.



# Decision Pathway

## Commercial in Confidence



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 05 March 2018

<b>TITLE</b>	IT Programme, Future State Assessment – Delivery Partner and Procurement Approach		
<b>Ward(s)</b>	n/a		
<b>Author:</b> Simon Oliver	<b>Job title:</b> Director - Digital Transformation		
<b>Cabinet lead:</b> Councillor Cheney	<b>Executive Director lead:</b> Mike Jackson		
<b>Proposal origin:</b> BCC Staff			
<b>Decision maker:</b> Mayor <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b>			
<ol style="list-style-type: none"> <li>To set out options and seek approval for the procurement route to follow in order to place a contract with a suitable supplier to work in partnership with the council as the Future State Assessment delivery partner.</li> </ol>			
<b>Evidence Base:</b>			
<ol style="list-style-type: none"> <li>In July 2018, Cabinet approved £20.3m (£7.2m revenue, £13.1m capital) to deliver the FSA programme in a timescale of 3-5 years. FSA set out components needed to build on the current IT platforms and ICT service delivery to ensure a modern, secure, flexible and service-aligned IT service in support of the Corporate Strategy and business drivers/outcomes will be delivered.</li> <li>The original steer to the development of the FSA Programme delivery approach was to use internal expertise to deliver the programme, supported by training and short-term external consultancy resource. In addition, it was envisioned that the Council would partner with a number (c12) local SMEs to deliver the programme.</li> <li>The programme SRO took up post with BCC in August 2018 and highlighted a risk to the programme delivery board that the council has neither the skills nor experience required to deliver outcomes within the approved timescales and budget due to the technical and delivery complexity.</li> <li>In October 2018, the FSA Delivery Board agreed the commencement of exploration of options for how the programme could be delivered with greater certainty.</li> <li>Following market testing, three alternative supplier approaches were considered; a) Single Supplier, b) Consultancy-led and c) Individual Procurements. An appraisal of these options is included in the Report Appendices. The FSA Delivery Board has opted to proceed with supplier option a).</li> <li>Following market testing, and undertaking procurement advice, two options to procurement have been identified as being appropriate: a) Award of contract via G-Cloud Framework following clarification of price and service offerings, or b) Open market tender/competition such as Competition with Negotiation. An appraisal of these options is included in the Report Appendices. The FSA Delivery Board recommends consideration of procurement option a) and considers option a) to be the quickest route to delivery without incurring additional procurement risk.</li> </ol>			
<b>Cabinet Member / Officer Recommendations:</b>			
That Cabinet			
<ol style="list-style-type: none"> <li>Approve the procurement of an FSA Delivery Partner via G-Cloud to an estimated value to not exceed £12m.</li> <li>Delegate authority to the Executive Director Resources and Head of Paid Service in consultation with the Deputy Mayor to take all necessary steps to award the contract.</li> </ol>			

**Corporate Strategy alignment:**

The Corporate Strategy identifies a need to work with back office services to identify what needs to change to be a more effective and efficient council to achieve our priorities (p7). The FSA and resulting IT Strategy is a core component of this, particularly contributing to two of the four Organisational Priorities outlined in the Corporate Strategy (p11):

- Redesign the council to work effectively as a smaller organisation
- Equip our colleagues to be as productive and efficient as possible

IT underpins all the council’s work and, with a strategy that encompasses the council’s outward-facing approach to digital, directly contributes to the Key Commitment of ‘Make progress towards being the UK’s best digitally-connected city’.

**City Benefits:**

There are no specific or direct benefits to the city however this service improvement programme supports the wider organisation’s ability to deliver commitments in the city; there are no identified equalities impacts.

**Consultation Details:**

No consultation is considered necessary as aligned to previous cabinet decision to commence the FSA Transformation Programme.

<b>Revenue Cost</b>	£	<b>Source of Revenue Funding</b>	
<b>Capital Cost</b>	< £12m	<b>Source of Capital Funding</b>	<b>Allocated Budgets</b>
<b>One off cost</b> <input checked="" type="checkbox"/>	<b>Ongoing cost</b> <input type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input type="checkbox"/>

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**1. Finance Advice:** The report seeks approval for procurement of a strategic partner to support delivery of the Council’s ICT Future State Assessment, via one of the Crown Commercial Services G-Cloud frameworks, over a period of up to 4 years. It is important that a clear and transparent process is agreed as part of this procurement approach. The Council has a duty of Best Value, and that includes ensuring procurement of services is undertaken in a way that is effective in delivering desired outcomes, including those relating to social value, whilst ensuring value for money is achieved. The approach recommended will need to ensure those tests are met.

The revenue and capital resources required to deliver the programme were agreed by Cabinet in July 2018, and have been factored into the Council’s medium term financial plan, which are set out elsewhere in the report. The recommended procurement approach must ensure overall costs in delivering the programme are contained within those agreed financial parameters.

**Finance Business Partner:** Chris Holme 25/02/18

**2. Legal Advice:** Whenever the council procures goods works or services over certain financial thresholds, it must comply with the council’s Procurement Rules and the Public Contracts Regulations 2015 (PCR 2015), unless an exemption is available. The recommendation of the FSA Delivery Board is to procure a delivery partner using the established [Crown Commercial Service \(CCS\)](#) G-Cloud 10 framework i.e. a fast track / low cost direct award only (without further competition) procurement route for standardised cloud services via the ‘Digital Marketplace’, including cloud transition and deployment support services. The framework allows limited flexibility around customising the scope and delivery of services (depending on the nature of the services), payment profiles, caps on liability and insurance requirements, and includes an option to terminate early for convenience on giving 30 days written notice (or less where agreed). G-Cloud 10 call-off contracts incorporate the supplier’s standard G-Cloud terms, although the call-off terms override the supplier terms in cases of conflict.

It is understood that extensive market testing has been conducted by the FSA project team with a target group of suppliers, including Microsoft (as an existing partner in relation to Azure and other services), to develop a set of supplier neutral service requirements, including outline deliverables / work packages, that can be used to procure a delivery partner from among a pool of potential suppliers on G-Cloud. Use of G-Cloud is therefore in preference to a

more costly and time consuming “full” competitive procurement process, such as the negotiated procedure without notice, which in theory could be used to deliver a more bespoke solution against a less certain requirement, but where the current position is that negotiation may not add any additional value, and may not be justifiable under PCR 2015.

It is also understood that the council requires a reasonably flexible approach to service delivery, with the implementation of digital transformation services (‘cloud support’ services under G-Cloud) expected to take around 18 months, but with flexibility to deliver the services over 12 to 24 months. Within these timescales, the council is seeking a fixed fee arrangement, with payment against pre-agreed milestones, where the workstreams, milestones (including deliverables), milestone payments, and detailed plans are agreed during the first 7 weeks of the programme. The council is also considering whether to procure additional ongoing consultancy and support services from the delivery partner (under the same call-off contract), which could run for 2 years from the completion of the implementation work. (Any additional cloud software licences required as part of the transformation and other ‘out of scope’ transformation services (e.g. on premise data recovery, WAN design and infrastructure etc) would need to be separately procured / delivered.)

In relation to the use of G-Cloud, there are a number of points that will need to be addressed, including the following:

- The service requirements will need to be developed into a list of ‘must-haves’ and ‘wants’ that will be used to decide which search categories, keywords and filters to use as part of the G-Cloud ‘best fit’ buying process. Some analysis may be required of the scope of the relevant suppliers’ service descriptions, to ensure that the range of ‘must-have’ requirements are deliverable under a single call-off contract and are not unduly / unfairly restrictive.
- It is likely, given the range and nature of the cloud support services required, that some suppliers (if not all) will use third parties to deliver aspects of the programme under sub-contracts. This is provided for under G-Cloud (where the main supplier assumes the risk of any sub-contracted services), but the nature of any sub-contracting would need to be clarified prior to awarding a contract (if not apparent in the service descriptions), and in particular the nature of any data processing, including processing outside of the EEA. Any processing of data by the main supplier or its sub-contractors will need to be captured within the call-off contract’s data processing schedule.
- The total pricing under G-Cloud will need to be determined through questions to suppliers based on standard G-Cloud pricing, and the council will need to avoid any negotiations or raising questions on points falling outside of the supplier’s standard G-Cloud service descriptions.
- The right to terminate for convenience is linked to a buyer indemnity in relation to unavoidable losses the supplier can’t mitigate or reduce by way of insurance. The approach to workstreams and payment milestones should help to reduce the council’s exposure in such circumstances, but the position under the call-off contract could be clarified in relation to unperformed services and the fixed fee. The council’s liability (and the supplier’s exposure to losses) should be mitigated as far as possible to services and payments due in relation to specific milestones.
- The maximum duration of a G-Cloud call-off contract is typically a 2 year initial terms with further extensions of up to 2 years. This is sufficient to cover the services required of the delivery partner, although minor amendments will be needed in relation to the additional support services, which could also be described as a contractual option.

Subject to the council’s requirements falling within the supplier’s standard service offerings, and provided the council adheres closely and fairly to the G-Cloud buying process, including the requirement for a well audited and transparent search process, G-Cloud provides a compliant route to market under PCR 2015 and the council’s procurement rules.

Legal advice should be sought in relation to capturing the council’s requirements in the call-off contract, particularly in relation to any deviations from the standard terms and conditions and descriptions of additional services and contract deliverables. Consideration should also be given to the risk profile under the contract, and separate advice may be required on appropriate caps on liability and insurance requirements under the call-off contract (within the permitted scope of G-Cloud).

There are no particular equalities issues arising from the proposals in this report.

There are no public consultation issues associated with this proposal.

**Legal Team Leader:** Eric Andrews, Legal Services 19<sup>th</sup> February 2019

**3. Implications on IT:** Clearly, this paper has significant implications for IT within the Council. However, these have been well documented in previously published material and across internal governance forums. This proposal seeks to embed the new technologies and mechanisms within the Council IT structures and systems, enabling delivery of the FSA benefits.

**IT Team Leader:** Ian Gale (Service Manager, Service Delivery and Integration), 14<sup>th</sup> February 2019

**4. HR Advice:** No HR implications evident.

**HR Partner:** James Brereton (People & Culture Manager), 9th February 2019

**PR officer:** John Smith (Senior Public Relations Officer, External Communications and Consultation. 22<sup>nd</sup> January 2019

<b>EDM Sign-off</b>	Mike Jackson	16/01/2019
<b>Cabinet Member sign-off</b>	CLlr Craig Cheney	24/01/2019
<b>CLB Sign-off</b>	Mike Jackson	n/a
<b>For Key Decisions - Mayor’s Office sign-off</b>		

<b>Appendix A – Further essential background / detail on the proposal</b> Full details of market assessments and procurement advice.	<b>YES</b>
---	------------

## **IT Project, Future State Assessment. Appendix A.**

**Cabinet- 05/03/2019**

### **Summary**

This report is an Appendix to the Key Decision Pathway “FSA Assessment – Delivery Partner and Procurement Approach” being presented at Cabinet in March 2019. It provides the necessary background to support Cabinet approval.

It is the recommendation of the FSA Transformation Programme’s Senior Responsible Officer, supported by Independent Assurance, Scrutiny Committee review and FSA Delivery Board review, that Cabinet;

1. Approve the procurement of an FSA Delivery Partner via GCloud to an estimated value to not exceed £12m.
2. Delegate authority to the Executive Director Resources and Head of Paid Service in consultation with the Deputy Mayor to take all necessary steps to award the contract.

### **Background and Timescales**

The funding and approval to commence the FSA Transformation Programme was achieved in July 2018. Original report:

<https://democracy.bristol.gov.uk/ieListDocuments.aspx?CId=135&MID=3092#AI11791>

The incoming Director for Digital Transformation commenced with the Council in August 2018 and became the Senior Responsible Officer (SRO) for the FSA Transformation Programme.

The FSA Delivery Board was formed in August 2018. This has Cabinet representation from Cllr Cheney as well as Executive Director representation from Mike Jackson. The board is made up from officers directly involved in the delivery of the FSA Transformation Programme, as well as wider business representatives.

At the FSA Delivery Board in September 2018, the decision to potentially move to a single delivery partner model for c80% of the Programme was not explicitly supported, but approval to investigate the approach was given.

Scrutiny were informed of the FSA Delivery Board decision, and advised on progress, in September and December 2018. A further update will be provided in February 2019.

At the October 2018 FSA Delivery Board, the decision was made to focus any future Delivery Partner investigations on Cloud Migration and/or IT Service Integrators as approaches.

The revised approach in regards to Delivery Partner was articulated at Resources ELM in November 2018.

Soft-market testing has been undertaken since November 2018 with the aim of further defining our requirements, and to assess the appetite, costs and capability of the market.

Independent Assurance was sought and provisioned in regards to the FSA Transformation Programme by the FSA Delivery Board. The draft report was delivered in January 2019 and a final version is due in February 2019. The report supports the recommendations within this report in regards to delivery partner approach and procurement approach.

The FSA Delivery Board accepted the recommendation from the Senior Responsible Officer and Independent Assurance, in regards to delivery partner approach, in January 2019. The FSA Delivery Board agreed to seek Cabinet approval for the recommended procurement approach.

The decision pathway for the Delivery Partner procurement was approved by Resources EDM in January 2019.

## **Original Vs New Approach**

The original proposal for the FSA Transformation Programme focused on 12 themes and c34 projects and advised on indicative costs and timescales.

The actual technology approach to be utilised, and the key strategic decisions in regards to the approach to the technology was absent in the original report, however it was envisioned that the use of c9 delivery partners (preferably local SMEs) would be able to undertake the necessary assessments and deliver within the broad financial envelopes identified. It was also envisioned that the bulk of the technical delivery would be undertaken using internal ICT resources (using a mix of existing, new permanent and contract staff).

As initial discovery was undertaken, it became clear that the significant technical and delivery interdependencies between the projects would necessitate a more mature and capable technology function (Enterprise Architecture, Programme Management and Processes such as Change Management) than that which was available within the Council or was able to be established quickly.

Furthermore, it was understood that previous, smaller transformation programmes had failed due to capability and capacity issues. These risks are amplified considering the scale and complexity of the FSA Programme.

Whilst the FSA Programme initially sought to build a client function capable of delivering the originally envisioned approach, this posed significant risk to the Council as it would be liable for the technical solution; ensuring all delivery partners were aligned in terms of technical decisions, timescales and costs.

It is now our intention on ensuring that the IT Staffing Structure is designed to meet the anticipated on-going needs of the organisation, augmented with contracted expertise during the delivery phases. Knowledge Transfer has been a key focus of the scope of delivery by any Delivery Partner to ensure that we are self-sufficient in the technologies in the long-term.

## Soft Market Engagement

As part of Soft Market Engagement, a number of organisations were approached and invited to engage with BCC.

Supplier-led workshops (attended by both IT and non-IT colleagues) have taken place between November 2018 and January 2019, with the agreement that the outputs would be owned by BCC and could be used as part of a future procurement process.

The outputs of the Soft Market Engagement undertaken so far has been to better define requirements for a potential future procurement and understand likely costs and approaches from the market in the form of 5 indicative proposals from suppliers.

This process helped us refine requirements: including confirming the complexity and the inter-dependencies between the strands of work – further validating the approach of utilising a single strategic delivery partner, and the market’s capability and interest in deliver this.

Furthermore, it confirmed our assumptions of the advantages that a single provider should bring in terms of being able to sequence strands of work appropriately, avoid duplication of work which in turn would reduce the risk of inefficiencies which could materialise if different partners are delivering different components of the overall solution.

## Procurement Approach

In order to award a contract to our Strategic Partner of choice The FSA Programme has identified two appropriate and compliant routes to market:

1. Award a contract via G-Cloud; a pre-qualified Crown Commercial Services (CCS) government framework.
2. Undertake an OJEU Competition with Negotiation procurement process; as defined within the Public Contracts Regulations 2015.

## GCloud Framework

The GCloud framework is an agreement between government and suppliers. G-cloud is specifically designed to enable the public sector to adopt digital cloud based technology and reduce barriers to SME’s. The G-Cloud process has access to over 3500 suppliers, 90% of whom are SME’s providing a range of different cloud centric services. All of the suppliers involved in our market engagement exercise provide service offerings on G-Cloud.

Procurement officers are able to carry out a contract execution after following the 5 CCS-defined steps via the framework;

1. Define the requirements
2. Search for suitable suppliers
3. Shortlist and assess the suppliers that meet the requirements
4. Identify a suitable supplier
5. Enter into an already agreed set of terms and conditions which outline requirements and desired delivery.

In awarding a contract through G-Cloud, the Council would be contracting on the supplier's terms and conditions but with the overarching set of CCS framework terms and conditions taking precedence over them. Whilst the CCS terms and conditions have been defined through the framework and are not bespoke to the Council's need, BCC have engaged with CCS to ensure there is sufficient flexibility within the required Terms and Conditions to allow a fit for purpose contract to be executed between BCC and the chosen delivery partner.

The pre-determined T & C's, pre-vetted suppliers and standardised service offerings results in a greater speed to market. Timescales are still dependent on the supplier and the buyer agreeing to the requirements and their delivery, however this normally only takes a month. This high speed to market is one of G-Cloud's main attractions and is widely used across the public sector. The increased speed can have advantages for buyers and suppliers as it reduces the procurement resource costs and allows swifter release of benefits and cost savings resulting from the procurement and subsequent delivery.

G-Cloud may not provide the most competitive pricing bespoke to specific need. However the reduced barriers and ability to pre-define terms and service offerings, coupled with access to the entire public sector, should encourage suppliers to submit competitive pricing.

G-Cloud permits clarification of pricing, service offering and terms and conditions should this be required. The indicative prices obtained from suppliers during soft market testing were similar which should provide additional reassurance around value for money when the final price is obtained.

## **OJEU Competition with Negotiation**

Procurement officers are able to carry out an OJEU Competition with Negotiation and would follow the high level steps below:

1. Define the requirements and draft all tender documentation
2. Develop bespoke terms and conditions
3. Undertake Selection Questionnaire
4. Shortlist suppliers
5. Undertake Invitation to Tender
6. Evaluate and shortlist suppliers for negotiation
7. Undertake series of negotiations to refine and clarify bids
8. Identify preferred supplier
9. Award and execute contract

The Competition with Negotiation is open to all suppliers for the Selection Questionnaire stage, however the protracted and bespoke nature of the process can be an inhibitor to SME's and decrease their participation in procurements.

The Council would need to develop a bespoke set of terms and conditions prior to going to market. Whilst providing additional protection to the Council, this would also significantly increase the length and cost of the process and potentially dissuade suppliers from engaging in the procurement.

Whilst the requirement to develop all documentation prior to going to market, bespoke terms and conditions, and multiple stages of the procurement can result in well-defined deliverables and robust contract, a conservative estimate would indicate the process is likely to take between 6-9 months.

As part of the Competition with Negotiation, a process of negotiating pricing, service offering and terms and conditions should be undertaken which in conjunction with the competition can deliver best value. However the increased procurement resource costs and delayed release of benefits and cost savings should be taken into account.

## **Procurement Value**

All suppliers have indicated an estimated value for the anticipated scope of works to be procured to be between £10m-£12m.

The Key Decision report is requesting delegated authorisation for Cllr Cheney to award a contract of a value of up to £12m.

The reason for this increased value is two-fold;

1. As with any large scale IT project scope, there will need to be a mechanism to bring additional items into scope in the event of misaligned requirements or issues within BCC's capacity/capability.
2. The exact contract value cannot be finalised until the procurement process has been completed, therefore the upper value estimate is being requested.

As a result of the existing Cabinet decision that any spend above £0.5 should be referred back to Cabinet, and acknowledging the delays this would incur, it is felt prudent to enable Cllr Cheney to be able to make timely decisions on further spend within the contract based on the FSA Delivery Board recommendations without the need to seek further Cabinet approvals.