



Report for: Cabinet

Date of Meeting:	25 July 2024
Subject:	Procurement of new contract for corporate IT application management and hosting support services
Key Decision:	Yes
Responsible Officer:	Ben Goward, Director of ICT
Portfolio Holder:	Cllr Stephen Greek Cabinet Member for Performance, Communications and Customer Experience
Exempt:	No, except for Appendix 1 which is exempt pursuant to paragraph 3 of Schedule 12A to the Local Government Act 1972 on the grounds that it contains information relating to the financial and business affairs of the council and 3 rd party suppliers
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Exempt Appendix 1 – Evaluation Report with supplier details and pricing submissions

Section 1 – Summary and Recommendations

This report sets out the selection of the preferred supplier to support the Council's IT application management and hosting support requirements in readiness for the expiry of the existing contract.

Recommendations:

Following consultation with the Portfolio Holder for Performance, Communications and Customer Experience

Cabinet is requested to:

1. Approve the award of contract to Version1 Ltd for corporate IT application management and hosting support services for a period of up to 3 years, with an option to extend for a period of up to 1 year with effect from November 2024.

Reason:

Endorsing the recommendation will ensure the successful supplier is awarded the contract enabling continuity and delivery of IT that underpins all Council services.

Section 2 – Report

Introduction

A key IT contract for support of the Azure cloud data centre services and certain key Azure hosted applications, which underpins services delivered to Harrow residents expires 31/10/2024. Award of contract as recommended will ensure continuity of these services whilst offering best value to the Council and fully supporting corporate priorities.

Procurement options considered

1. A competitive procurement procedure in accordance with the Public Contracts Regulations 2015
2. An award via a compliant framework agreement
3. Reviewing alternative operating models which considered disaggregating services and insourcing some elements (see below)

Background

In November 2020 a new operating model for IT provision at the Council was established, to replace the previous single IT outsourcing arrangements. The

track record of the IT service since then has been good, with operational, compliance and customer satisfaction standards met and a range of major IT system upgrades successfully completed.

A third party Application Management and Hosting support contract was established as part of the new IT operating model, commencing on 01/11/2020 over a four year term. The contract scope included:

- Support for remaining services in the on-premise Civic Centre datacentre (now fully decommissioned)
- Design and build the Council's new Azure cloud datacentre platform (completed 2021)
- Migrate specific legacy applications (for which a Software-as-a-Service or "SaaS" option was not available), to the cloud datacentre (completed 2022)
- Provide support for the Azure platform and migrated applications, and undertake project work as requested (ongoing)

The four year (2+1+1) contract for IT application management and hosting support services comes to an end on 31/10/24 and no further extension options are available.

Since original procurement the contract scope has reduced, and is now limited to support for the Azure platform and remaining Azure-hosted applications, and miscellaneous project work. However this scope includes critical infrastructure and data storage and some remaining critical business systems including the NEC Revenues and Benefits application.

Scope options

During Q4 2023/24 the IT service and procurement undertook a review of future delivery and scope options as follows:

Option 1: Insource both the Azure platform and application support services, so no market engagement

Option 2: Procure new contract for both Azure platform and application support services

Option 3: Procure two separate contracts for Azure platform and application support services

Option 1 was discounted on basis of the challenges we would face with recruitment and retention of staff with the necessary Azure and Application support skills. The variety of skills needed and the relatively low/variable workload volumes make outsourcing a more cost effective and resilient option.

Option 3 would be aligned with most supplier framework offerings, but soft market testing and high level benchmark data from other Councils showed

that the cost overheads of splitting one existing service into two separate contracts would increase costs considerably.

On this basis Option 2 was preferred. However, given the need to realise budget savings and the potential for further reductions in contract scope over the life of any future contract (as more systems are offered as SaaS, and legacy platforms are consolidated), a framework procurement and pricing schedule was established to:

- Ensure charges were variable according to monthly consumption, on a “Pay as you Go” basis
- Encourage proposals for services to be delivered from offshore locations, wherever this met compliance requirements and reduced costs
- Encourage other proposals which would help reduce wider costs for the Council (eg where partners could help reduce consumption of chargeable Azure datacentre services)

Outcome of Procurement

Following a compliant framework procurement (see below), the incumbent provider Version1 Ltd was selected from a shortlist of three potential suppliers as the supplier whose G Cloud service offering (including pricing) provided the best fit to Harrow’s requirements. This is before the potential Transfer of Undertakings (Protection of Employment) Regulations and exit/transition costs for both previous and new supplier have been taken into account.

Version1 Ltd have offered good service to the Council since 2020. They have consistently met or exceeded contractual performance indicators. Customer Satisfaction with their services is high and they are a trusted supplier. Good working relationships have been built across the teams.

Annual charges to Harrow under the existing contract are set out in confidential Appendix 1 along with the breakdown between Azure support and Application Support. The new contract achieves an immediate reduction of approximately 5% through a blended model of support (on and offshore) which is flexible and scalable without compromising quality of service. Further reductions are projected in the pricing schedule.

Why a change is needed

The existing contract under the framework agreement ends on 31/10/24 and extension options have been exhausted.

The scope of services required have changed over the term and the tender process provided an opportunity for review. Options for how services are delivered have been considered and a flexible (consumption based) pricing model has been developed to optimise value, provide clarity and reduce costs.

Implications of the Recommendation Considerations

Resources, costs

The recommendations within this report are not anticipated to have an impact on existing resources or budget.

Staffing/workforce

The recommendations within this report will continue to support the workforce delivering essential services to Harrow residents.

Ward Councillors' comments

Performance Issues

The recommendations within this report support the Council in achievement of its priorities and outcomes, by delivering IT services required by officers to do their jobs in the most cost-effective manner.

Failure to award the contract will result in cessation of key services, with associated financial, reputational, and legal risks.

Environmental Implications

The recommendations within this report support the Council's carbon emission reduction targets

Data Protection Implications

A DPIA will be carried out before processing any personal data to minimise any data protection risks from a blended model of support (on and offshore)

Risk Management Implications

Risks included on corporate or directorate risk register? **Yes**

Separate risk register in place? **Yes**

The relevant risks contained in the register are attached/summarised below.
Yes

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Risk of data loss and/or breach as a result of adopting a blended (on and offshore) support model.	▪ A DPIA will be carried out before processing any personal data to minimise any data protection risks	Green
Risk of supplier failure (cybersecurity breach, bankruptcy etc) during life of contract.	▪ Secure and maintain evidence of cybersecurity compliance and regular restore tests. Maintain (contractual) exit plans through life of contract	Green
Failure to award will result in cessation of key services,	▪ Award contract following a competitive procurement	Green

Risk Description	Mitigations	RAG Status
and generate compliance issues, with associated financial, reputational and legal risks.	exercise to the to the successful supplier for 3 (+1) years	
Failure to award will result in inability of the Council to achieve its priorities and outcomes, as officers will not have the tools needed to do their jobs in the most cost effective manner.	<ul style="list-style-type: none"> ▪ Award contract following a competitive procurement exercise to the to the successful supplier for 3 (+1) years 	Green
Failure to award will incur delays to inflight projects impacting on key services.	<ul style="list-style-type: none"> ▪ Award contract following a competitive procurement exercise to the to the successful supplier for 3 (+1) years 	Green

Procurement Implications

This procurement has been conducted under the Crown Commercial Service G Cloud 13 Framework (RM 1557.13).

This route was chosen as the G Cloud 13 Framework offers a broad selection of service offerings relevant to this requirement. It provides an efficient route to market which is fully compliant with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

The high level evaluation criteria used were:

Quality	45%
Climate Change	5%
Social Value	10%
Price	40%

Quality consists of Technical Merit & Functional Fit (20%), After Sales Service Management (20%), and Non Functional Characteristics (5%)

Legal Implications

Paragraph 4.4 of the Council's Contract Procedure Rules (CPRs) authorises the Council to call-off framework agreements that are lawfully accessible to the Council and requires the Council to comply with the terms and conditions of the relevant framework agreement. The Crown Commercial Service G Cloud 13 Framework (RM 1557.13) (the Framework) is a compliantly procured framework which has been established in compliance with the Public Contract Regulations 2015 (PCRs). The Council is entitled to call-off from the Framework as if forms part of the identifiable group cited within the published OJEU notice.

Paragraph 7.6 of the CPRs requires the Head of Procurement to approve accessing externally established Framework Agreements, this has been confirmed in the Procurement Implications paragraph above.

For contracts with a value of £500k and above, Cabinet approval must be sought. The Cabinet report must be cleared by the Portfolio Holder for the service and the Portfolio Holder for Finance and Human Resources before it is submitted to Cabinet for approval.

The recommendations set out in this report comply with the Council's CPRs and the PCR's.

Financial Implications

The cost of the contract to Version1 Ltd for corporate IT application management and hosting support will be contained within the existing IT budget provision. When the proposed contract expires (at the end of Year 3 or Year 4), should the Application Management and Hosting services be transferred to an alternative supplier, there would be a one-off cost of exit. This would be subject to a separate approval and the funding source would need to be identified. Annual charges to Harrow and estimated exit charges are set out in confidential Appendix 1.

Equalities implications / Public Sector Equality Duty

There are no direct equalities implications arising from this report.

Council Priorities

The decision sought will facilitate continuity of Council services which in turn supports the corporate priorities.

- 1. A council that puts residents first**
- 2. A borough that is clean and safe**
- 3. A place where those in need are supported**

Section 3 - Statutory Officer Clearance

Statutory Officer: Jessie Man

Signed on behalf of the Chief Financial Officer

Date: 05/07/2024

Statutory Officer: Patricia Davila

Signed on behalf of the Monitoring Officer

Date: 03/07/2024

Chief Officer: Alex Dewsnap

Signed off by the Managing Director

Date: 03/07/2024

Head of Procurement: Nimesh Mehta

Signed on behalf of the Head of Procurement by Carol Barlow

Date: 02/07/2024

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: N/A

Section 4 - Contact Details and Background Papers

Contact: Ben Goward, Director of ICT,
ben.goward@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee: NO