CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	15 October 2012
Report of:	Lisa Quinn – Director of Finance and Business Services
Subject/Title:	Public Services Network Connectivity Procurement
Portfolio Holder:	Cllr David Brown

1.0 Report Summary

The national Public Service Network (PSN) Programme is a joint Government and industry programme to revolutionise the efficiency with which National Government, Local Authorities, Police, Fire, Health and the Third Sector procure and utilise voice and data networks and the ICT services that run over them.

In essence, the PSN will provide a 'network of networks' - a secure version of the internet for the UK public sector by defining a set of standards with which industry suppliers will need to comply.

Local Government is currently experiencing rising demands for its services in a time of unprecedented austerity that curtails its finances. A solution for the future of local government lies in a true partnership of public, private and voluntary bodies to deliver effective and appropriate services to our citizens. True collaboration widens our horizon and opens up opportunities for innovations in service provision.

The broad direction of travel for Cheshire East Council and Cheshire West & Chester Council is a move to increased flexibility and agility in the business and the workforce, new delivery models for Council services driven by the localism agenda and mitigating the ongoing financial pressures.

"There is an overriding need for ICT (Information and Communications Technology) to become an enabler to transformation and not a constraint on activity."

Cheshire East ICT Strategy.

2.0 Decision Requested

2.1 To approve Cheshire East Council procuring PSN Connectivity with Cheshire West and Chester Council and other potential public sector partners through Framework Agreement RM860.

2.2 Recommend to full Council the decision made by Cabinet.

3.0 Reasons for Recommendations

To progress the decisions of the following:

3.1 JOB (Joint Officer Board): status – APPROVED 13/09/2012. Authorisation to proceed with procurement (*recommended PSN compliant option as detailed*).
  Result: Confirmed

Confirm further authorisation to proceed route (i.e. EMB, Cabinet etc)
  Result: EMB, CEC-Cabinet (forward plan).

Contractual relationship - Lead authority to be nominated for Direct Contract (all other participants to be named as indirect).
  Result: CWAC as host would normally lead the project but want the option for each authority to contract direct.

Reference item (ii) above – nominate legal and procurement team resource (CEC or CWAC).
  Result: CWAC Head of procurement and Head of Legal to deliver resources

Procurement based on a) "infrastructure as a service" or b) delivery of owned asset.
  Result: "infrastructure as a service"

3.2 EMB (Executive Monitoring Board Cheshire East): status – Endorsed 17/09/2012 to proceed with procurement.
  Result: Confirmed (inclusive of tender development resource costs £120k)

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 The case for investment in PSN Connectivity for Cheshire East has been established in the following key documents:

Cheshire East Council ICT Strategy

Cheshire Public Services Network Connectivity Project Brief v1.0 July 2012

Cheshire Public Services Network Connectivity Business Case v0.3
July 2012

Cabinet Office
- o Public Sector Network Outline Business case v2.8 Nov 2009
- o Gov ICT Strategy – Strategic Implementation Plan. Oct 2011
- o PSN Connectivity and Services Frameworks
- o Customer Guidance Document v1.5 Aug 2012

E-Cheshire
- o Connecting Cheshire Business Case v1.0 July 2011

Hudson & Yorke Ltd (Consultants)
- o CH001_Report-WAN Analysis_V2.0
- o CH001_Report-WAN Business_V2.0
- o CH001_Report-WAN DueDiligence_V2.0

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 The Council approved the investment of £2.7m profiled over two years (£1.3M year 2013/14 and £1.4M year 2014/15) to provide a Public Services Network Connectivity as part of the ICT Strategy Capital Programme for Core System Stability.

7.2 Cheshire West and Chester Council will be match funding with the equivalent sum.

7.3 The Cheshire East costs associated with the tender procurement phase are £120,000; this is fully funded and identified in the ICT Strategy Capital Programme for year 2012/13.

7.4 Target 10-20% savings when considering existing operating expenditure. Contract consolidation in year 2013/14 is expected to achieve 10% reduction resulting in £262,000 savings per annum on circuit costs until the network is changed. The network will be re-engineered over two years and will include 'utility model' billing; this is expected to achieve 20% reduction of the total current operating cost resulting in savings of £645,000 per annum by 2015.

7.5 Current, total annual operating costs (Opex) for CEC and CWAC combined:

Staffing	£438,598
Essential maintenance	£160,679
Wide area Network (WAN) Circuits	£2,625,000
Total	**£3,224,277**

(note: this does not include accommodation, utility or air-con costs)
Table 1: Current total annual operating cost for CEC & CWAC combined

Multi-supplier contracts for Wide area Network (WAN) circuits with a variety of terms and end dates also add a considerable overhead and a costly resource requirement to manage.

8.0   Legal Implications (Authorised by the Borough Solicitor)

8.1   The annual value for the contracts underpinning the Wide Area Network (WAN) circuits is £2.625m. Many of these contracts are reported as being out of term and one of the key requirements underpinning the Purpose of Change is noted as being to secure Legal/ Procurement compliant contracts.

8.2   ICT Strategy's preferred option for, essentially, recommissioning the services which these contracts covered is to use Framework Agreement RM860. This Framework Agreement comprises 12 suppliers.

8.3   The Project team is mitigating the risk of challenges from incumbent suppliers by advanced notification prior to tender of the intention to novate the contracts.

8.4   ICT Strategy has confirmed that, even if the Council sought to undertake this commissioning process through a bespoke OJEU procedure, it would not receive compliant bids from any other company than the 12 suppliers accredited at the moment and that any challenge to this proposed procurement process from an outgoing supplier to use a different procurement route than RM860 could be resisted.

8.5   In summary, ICT Strategy has confirmed that they have managed the risk of challenge to this process by existing contractors and they have confirmed that using Framework Agreement RM860 represents best procurement practice in all the circumstances.

9.0   Risk Management

9.1   The Project will be managed under PRINCE2 methodology and risk and issue logs will be maintained to mitigate the risks.

9.2   Appropriate and robust financial accounting and reporting systems will be put in place and these will assist with early identification of any financial variances from the planned expenditure and funding.

9.3   Milestone reports will be presented to the Director of Finance, Executive Monitoring Board and Cabinet.

9.4   Regular reports on progress and outcomes will be provided to the project board, Head of ICT, Joint Officer Board and Cabinet Portfolio Member.

9.5 PSN Connectivity Procurement endorsed by Financial & Contract Procedure Rules will enable the Council back to revert to more legally and procurement compliant contracts.

9.6 The Guidance notes for using this Framework Agreement are being followed which recommend the need to obtain the incumbent supplier's assistance with the writing of the Specification which is to be used as part of the Framework Agreement's commissioning process. This is necessary to properly record the changes in specification from the current to the new, to manage exit requirements of the contract and to scope several elements of information that will impact on the prices bid that will be received from the RM860 suppliers. This will include information on transferring employees, historic service levels and arrangements for support during the transition are examples that are listed.

10.0 Background and Options

10.1 Background – The Need For Change

The Councils Wide Area Network (WAN) supports data communications for over 1000 sites (inclusive of main Council offices, depots, libraries, schools, members etc). Usage includes internet connectivity and voice traffic associated with the corporate telephony system; the network also provides secure connection to the Government Secure Extranet and the NHS national spine.

The Wide Area Network (WAN) has grown organically over a number of years with many of its underpinning contracts now out of term, increases in operating expenditure, assets being 'sweated' to end-of-life and non-collaborative / non-commercial service level agreements. This is coupled with an exponential growth in utilisation that is exposing limitations in the network's performance capacity to flex to demand and accommodation changes due to property rationalisation that reflect in its diminishing resilience capability.

It is therefore timely that the WAN is now provided under a consolidated procurement.

10.2 Key deliverables and benefits.

- Service improvement - delivered at reduced operating costs and fully managed to a more commercial model; supported by commercial service level agreement.
- Target 10-20% savings when considering existing operating expenditure.
- Directly supports collaboration across public sector – Fire, Police, Health and the 3rd sector.

- Service delivery that supports property rationalisation and enables multi agency occupation.
- Allow flexibility and rapid changes in provision of service; increasingly embrace mobile working.

10.3   The Options Considered:

1.   Do Nothing.
2.   Procurement for a re-contract of what we already have with single supplier.
3.   Procurement using neighbouring authority OJEU compliant framework.
4.   PSN compliant network procurement.

10.4   Critical Success Factors:

- Reduced network infrastructure running costs (target of 10-20%+ on network charges and associated services).
- Fully integrated, affordable, resilient and secure network between all public sector partners.
- A strategic plan and vision for developing collaboration further leading to an efficient and future proof network to underpin all public services across Cheshire.

10.5   Recommended option:

- **PSN compliant network procurement.**

   This will see the new Wide Area Network (WAN) procured with a PSN compliant supplier using Government Procurement Service framework (RM860).

11.0   Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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