

LONDON BOROUGH OF CROYDON

REPORT:	Contracts and Commissioning Board (CCB) for EXECUTIVE MAYOR DECISION	
[Date agreed at Contracts and Commissioning Board]	30 March 2023 CCB ref number - PB-2223-000021-EV	
REPORT TITLE:	Variation to MS Cloud Hosting Contract	
CORPORATE DIRECTOR / DIRECTOR:	Elaine Jackson, Assistant Chief Executive <i>Guidance: For Cabinet, Council, or Executive Mayor Decision must list the Corporate Director</i>	
LEAD OFFICER:	Ilona Smith, Project Manager Email: Ilona.smith@croydon.gov.uk Telephone: Ext: 22571 <i>Guidance: usually person seeking decision / report author</i>	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
DECISION TAKER:	EXECUTIVE MAYOR DECISION	
KEY DECISION? [Insert Ref. Number if a Key Decision] <i>Guidance: A Key Decision reference number will be allocated upon submission of a forward plan entry to Democratic Services.</i>	No	REASON: Under the financial criteria of £1M.
CONTAINS EXEMPT INFORMATION? (* See guidance)	NO	[Public]
WARDS AFFECTED:	N/A	

1 SUMMARY OF REPORT

- 1.1** This report seeks approval to vary the existing contract with Version 1 Solutions Ltd for MS Azure Cloud Hosting to include provision of Hardware monitoring and management support including On Premise Hosting Break/fix Services. This variation will be for a period of 12 months from 27 April 2023 expiring in April 2024.
- 1.2** This will enable the Council to meet corporate priority OUTCOME 1: The Council balances its books, listens to residents and delivers good, sustainable services.

2 RECOMMENDATIONS

- 2.1** The Contracts and Commissioning Board is requested to recommend to the Executive Mayor to approve the recommendations set out below:
- 2.2** The Executive Mayor is recommended by the CCB to approve the variation of the existing contract with Version 1 Solutions Ltd for the provision of On-Premise Hosting Break/fix Services for a maximum period of 12 months. The variation will start on 3rd May 2023 and will expire on 2nd May 2024. The variation will increase the contract value by £195,413 from £633,744 by 31% to an aggregate total of £829,157. The variation will not increase the contract term which is 4 years from 1st March 2023.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The servers and hardware contained in the on-premise data centre are essential to providing core IT service, on which business critical and all Council statutory and non-statutory services rely on to deliver services for residents and businesses in the borough.
- 3.2** The majority of servers and hardware have migrated to the MS Azure Cloud Hosting platform, however there are a number of devices that remain on premise. It is essential that this equipment is supported and monitored.
- 3.3** An open PCR compliant procurement was conducted in November 2023. The completion of the tender exercise was unsuccessful as the Council was unable to appoint a supplier that could fully support the Council's requirements.
- 3.4** The unsuccessful tender result has necessitated a need to diverge from the strategy and implement a solution that mitigates the loss of service upon the incumbents exit by varying the services with this provider.
- 3.5** The current contract with the incumbent provider terminates on 26 May 2023. To mitigate the financial and operational risks to the Council a recommendation

is being made to vary the scope of the existing contract with Version 1 Solutions Ltd (CCB Ref number: CCB1773/22-22 Date of approval: 21/11/22) to aid smooth transition of service continuation on the exit of the incumbent.

- 3.6** Due to the tight timelines for implementation and transition of services before the incumbent's exit, the recommendation ensures that the Council has support in place to mitigate operational risk. The supplier is supporting some elements of the core IT service and has already demonstrated their capability and culture to providing a modern target model to deliver the Council's aspirations.
- 3.7** The variation to the contract will deliver the following benefits;
- It will ensure the servers and hardware contained in the on-premise data centre are supported thereby mitigating the risk of failure of the core infrastructure upon which business critical and statutory services use to deliver services for residents and businesses in the borough.
 - The variation will deliver savings compared to the fully managed service currently in operation.
 - The decision sought will support the Council priority of OUTCOME 1 "Balances the books, listens to residents and delivers good, sustainable services." Along with meeting corporate priority.

4 BACKGROUND AND DETAILS

- 4.1** The council conducted a procurement exercise for On Premise and Network Hardware Break/fix Services as the current outsourced arrangements are coming to an end in May 2023. The business requirements are for;
- Hardware maintenance (break fix) support for on premise network hardware including LAN devices
 - Maintenance and support (the break/fix service) of on-site hardware e.g. fix or replace hardware where applicable – e.g. the council holds some surplus devices in storage. Where applicable, suppliers will be able to swap out failed devices with existing devices held in storage.
- 4.2** Hardware Break/fix Services is part of the core IT services which are business critical as all Council statutory and non-statutory services rely on the IT infrastructure to deliver services for residents and businesses in the borough. The variation to the existing MS Cloud Hosting contract is being recommended to include the On Premise Hosting requirements into one package to mitigate against the Council being without Break/fix support when the incumbent contract ends in May 2023.
- 4.3** The expenditure meets the following essential spend criteria:

- Expenditure required to support the delivery of the council's provision of essential statutory services at a minimum possible level.

4.4 Before the expiration of the variation term, the council will be required to go back out to tender for Breakfix with server monitoring and management services to ensure that there is a fair competition and the council is achieving value for money.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 Alternative options were considered upon the result of the unsuccessful tender.

5.2 Do nothing. This was not recommended. The current contract is near expiration and support is required for the IT infrastructure for the reasons set out in paragraph 4.1.

5.3 Renewing or varying the service and extending the contract with the incumbent is not recommended due to the high costs involved and the restrictions in service delivery offered. The current service will not provide best value for money, nor provide the flexibility we need to maintain the infrastructure moving forward and will not meet the council's objective of agility and flexibility to respond to organisational and service needs to meet the vision of the Digital Strategy.

6 CONSULTATION

6.1 Consultation was not carried out with Croydon residents and community groups because we are seeking to replace an internal infrastructure which will not directly impact the residents.

6.2 Specialist advice was obtained from the Head of Strategic Procurement and Governance to discuss options for consideration to ensure continuation of the core services on the incumbents exit after an unsuccessful tender exercise.

7. CONTRIBUTION TO COUNCIL PRIORITIES

7.1 The contract award will enable CDS to deliver the following corporate priorities:

- Live within our means, balance the books and provide value for money for our residents –and:
- Focus on providing the best quality core service we can afford.

7.2 The proposal will enable CDS to deliver the Digital Strategy. The vision of Croydon Council's Digital Strategy 2019-2024 is to harness the potential of digital design, data and technology to work efficiently.

- To maximise the opportunities of digital to improve services for our residents, providing efficiently run council functions and providing the best services and best value to residents.
- Making the most of the opportunities digital presents us to make our borough and our public services smarter and more sustainable using innovative ideas and technologies.
- Enable partner organisations to work with the council and with each other more effectively, supported by digital collaboration tools and more open communications, and making use of shared data and digital platforms to enable a more joined-up, system-wide approach.
- We will optimise how the council uses digital design, data and technology to work efficiently, collaborate, make informed decisions, adapt and innovate.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1** Off boarding CAPITA services will require some general staffing costs over and above the savings for this report and the savings for the variation of the Network Connectivity contract. The overall saving for both this report and the savings for the variation of the Network Connectivity contract will be a combined £0.386m over the next 4 years.
- 8.1.2** Any savings found from this new contract are already allocated to current MTFS targets and/or to fund incoming permanent staff associated. The cost centre budget, within which this contract sits, was reduced in 22-23 by £300k due to MTFS 'COR SAV 09' and 'RES SAV 23'; and will be reduced by a further £250k from 23-24 due to MTFS 'RES SAV 23'.

8.2 Revenue and Capital consequences of report recommendation

- 8.2.1** This table below is a requirement unless the Head of Finance for your directorate confirms it is not needed.

	Current Year	Medium Term Financial Strategy – 3 year forecast		
	£'000	£'000	£'000	£'000
Revenue Budget Available	450	450	450	450
Effect of decision from report	629	415	397	393

Remaining Budget (over) /Underspend	(179)	35	53	57
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8.2.2 Version 1 have a contract in place with the Council for MS Azure Cloud Hosting. Details of the contract values contained in Table 1 below.

Table 1 - Contract Values

Type	Service Provision	Contract Length	Contract Value
Existing Contract	Hosting (MS Azure Cloud)	4 Years from [01.03.23] to [28.02.25]	£633,744
Variation	Hosting (On Prem) and Break/fix Services	12 months from [03.05.23] to [02.05.24]	£195,413
Aggregate Value over 4 year period			£829,157
Percentage Value Increase			31%

8.2.3 The current Capita annual cost of this support is £0.433m. Over a 4-year period that value would be £1.732m

8.2.4 This variation is essential expenditure because the servers and hardware contained in the on-premise data centre are essential to providing core IT service, on which all Council statutory and non-statutory services rely on to deliver services for residents and businesses in the borough. The Council is required to ensure that the core infrastructure is managed and supported to mitigate against business critical failure.

8.2.5 Version 1 Solutions Ltd offer tiered support packages. Given the Section 114 notice, the Basic Support package has been selected to ensure value for money for the Council.

8.2.6 Finance have been consulted and can confirm all financial implications are covered in the body of the report and appendices and can be met within existing budgets.

8.2.7 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. 29/3/23

8.5 LEGAL IMPLICATIONS

- 8.5.1 The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000 and has the power to delegate those functions.
- 8.5.2 At present the delegations in the Council's Tenders and Contracts Regulations have been superseded by the Executive Mayor's Scheme of Delegation following the introduction of the Mayoral Model and the specific delegations in the annual procurement plan approved by the Executive Mayor in Cabinet on 16th November 2022 and 22nd March 2023.
- 8.5.3 The Executive Mayor has not specifically delegated the authority to make the decision and retains the authority in that respect.
- 8.5.4 The Council is under a duty to comply with the Public Contracts Regulations 2015 (PCR). Procurement comments at para 8.8 explain how the proposed modification can be made under the provisions of Regulation 72(1)(c) PCR. A notice must be published in accordance with the requirements of that provision.
- 8.5.5 The Council is also under a general Duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007)).
- 8.5.6 Approved by Kiri Bailey, Head of Commercial and Property Law, on behalf of the Director of Legal Services 21.04.23

8.6 EQUALITIES IMPLICATIONS

- 8.6.1 The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must, in the performance of its functions, therefore have due regard to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.6.2 When a service is contracted out both the contractor and the public authority that commissioned the service have to give due regard to the three principles of the General Duty as set out above. Any supplier that is exercising public functions also has an obligation to fulfil the general duty.

8.6.3 The Contract Management Framework is required to work within the framework of the Equality Strategy 2020- 2024. The deliverables in the Equalities Strategy should be incorporated into the Contract Management Framework and policy documents as detailed below:

“Outline how the proposed contract(s) will comply with the Public Sector Equality Duty outlined in Section 4 of the EQIA; and meet the outcomes of the Council’s equality strategy, particularly:

- i) All Council contracts contribute towards delivering our equality objectives
- ii) Council contractors are inclusive and supportive of vulnerable groups
- iii) Ensure that every strategy, delivery plan, council contract and staff appraisal has an equality objective linked to it.
- iv) That contractors be requested to adopt Croydon’s Equality and George Floyd Race Matters Pledges”

8.6.4 The Equalities Strategy including the Pledges named above, are provided to all bidders during the tendering stage of the procurement process. Social Value objectives also mirror the Council’s commitments to equalities and diversity.

8.6.5 An Equalities Impact Assessment was carried out on the Core Re-Procurement Network and Hosting Strategy (CCB Ref number:CCB1738/22-23 Date of approval: 04/05/22). The result was that the procurement of a new supplier(s) will not have a detrimental impact on any of the groups that share protected characteristics, as there are no changes to current Council policies or procedures planned. This procurement is to ensure a continuation of services and support to the ICT infrastructure.

8.6.6 Comments approved by Denise McCausland, the Equality Programme Manager 23/03/2023

8.7 ICT IMPLICATIONS

8.7.1 RISKS – One of the main project risks of failure to award a suitable contract has occurred and this proposed variation is the preferred mitigation against the risk. The impacts of not addressing are that all hardware and especially end of life hardware are out of support for upgrades and at high risk of failure. Any loss of service provision would prevent the Council from being able to carry out its duties and residents not being able to request or receive Council services.

8.7.2 To resolve this risk the most practical response is to vary the existing MS Azure Cloud Hosting contract to include On Premise Hosting support to Version 1 Solutions Ltd who are currently migrating services and can dovetail the extension of service scope into their existing transition plans, delivering in a timely manner to ensure no loss in service provision and continuity.

8.7.3 Comments Approved by: Paul Golland, Chief Digital Officer Date 29/03/23

8.8 PROCUREMENT IMPLICATIONS

- 8.8.1 A variation to the scope and value in compliance with PCR regulation 72(1)(c) will meet PCR public contract regulations and mitigate the risk of challenge to the council.
- 8.8.2 The variation will increase the contract value by £195,413 from £633,744 to an aggregate total of £829,157. This is a 31% increase.
- 8.8.3 PCR regulation 72.1(c) allows for modification of contracts during their term as follows:
- (c) where all of the following conditions are fulfilled:—
- (i) the need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen;
 - (ii) the modification does not alter the overall nature of the contract;
 - (iii) any increase in price does not exceed 50% of the value of the original contract or framework agreement.
- 8.8.4 The circumstances leading to the need for the variation set out in Section 3 could not have been foreseen with the failure to award a contract following a tender for break fix support services, no alternate bid being suitable and no time to reprocure. The overall nature of the contract has not been altered which is to provide support for council IT infrastructure. The value will not increase by more than 50%.

Approved by: Gerard Gough Strategic Procurement Manager on behalf of the Director of Procurement). (Date 31/03/2023)

9 APPENDICES

None

10 BACKGROUND DOCUMENTS

None

11 URGENCY

Not applicable.

