
Decision maker:	Cabinet member financial management and ICT
Decision date:	30 June 2017
Title of report:	Herefordshire wide area network services procurement
Report by:	Assistant director communities

Classification

Open

Key decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Wards affected

Countywide

Purpose

The purpose of this report is to obtain approval to procure and award a new contract for the provision of wide area network (WAN) services for Herefordshire Council and its partners.

Recommendation(s)

THAT:

- (a) the scope of the Herefordshire wide area network (WAN) service and the procurement approach as set out in the report be approved; and**
- (b) the director for economy, communities and corporate be authorised to award a contract for the Herefordshire WAN services to the supplier who submits the highest scoring bid, for a period of up to seven years within a maximum contract value of up to £4.2M (average of £600k per annum).**

Alternative options

- 1 Option 1 – Do Nothing: Under this scenario the council's contract with Updata Infrastructure Ltd (Updata) would end on 31 March 2018, Updata would have due cause to cease the data connectivity services to the council and its partners. This option is therefore not recommended
- 2 Option 2 – procure WAN services for Herefordshire council only. This option would be a regressive step in relation to technology enabling integration between the council and other public service providers in the county. The objective to continuously aggregate services where feasible in order to benefit from economies of scale across public sector organisations should be maintained. In addition the council would lose the contributions made by partner organisations for the core network. This option is therefore not recommended.
- 3 Option 3 (Recommended) – Re-procure the current contract and enable the inclusion of additional services to meet the needs to the council and partner organisations. This would enable the council and NHS partners to continue to strategically facilitate the objectives associated to delivering efficiencies related to public sector spending by testing the market for better value, aggregating common services to benefit from economies of scale and by minimising ICT barriers to delivering a more seamless service to the communities that are served.

Reasons for recommendations

- 4 To ensure that the service requirements for the Herefordshire WAN are competitively tendered, allowing time for a smooth transition of services prior to the end of the current contract on the 31th March 2018.
- 5 To ensure the new contract duration enables the opportunity for delivery of improved services and reduced costs of up to an estimated 15% on the current annual service charges. Any reductions identified may be reinvested to fund service improvements subject to agreement by the stakeholders.

Key considerations

- 6 The Herefordshire WAN is shared by a number of public sector organisations within Herefordshire, this joint approach was introduced to deliver a number of benefits including:
 - a) a shared data communication network which would support the one Herefordshire agenda
 - b) an aggregated data communication network capitalising on economies of scale that the shared infrastructure would bring
 - c) a unified data network that conforms to necessary government standards in relation to the security of the data transferred and processed across it.
 - d) A facility through which schools in the county, in particular those in remote locations, could access the internet.
 - e) an opportunity to secure contributions for the pre-existing cost of the council's core network by apportioning charges for the core to partner organisations,

each organisation contributing proportionately to the network rental charges.

- 7 The organisations that are currently tenants on the network include:
 - a. Wye Valley NHS Trust (WVT)
 - b. 2gether NHS Foundation Trust
 - c. Herefordshire Clinical Commissioning Group
 - d. Herefordshire Schools (currently fifteen are signed up)
- 8 Herefordshire Council are the lead contractor on the current contract with Updata Infrastructure Ltd and all other organisations have a partner agreement with the council for their share of the services.
- 9 The current contract was established in March 2014 and expires on 31 March 2018. The services are provisioned to ninety six sites of which fifty four are council.
- 10 The WAN is critical the delivery of all services by the council and its partners. The WAN carries telephone calls and computer data between the sites connected to it and on to external bodies across the world. The WAN meets external standards to ensure that it remains secure.
- 11 Under the current agreement, Updata provide both the data circuits and a managed service for those circuits based on the sites that are in scope. The contract is scalable allowing for the introduction of additional sites, changes to sites or removal of sites from service.
- 12 In view of the above and in preparation for this renewal, a review of the services has been undertaken to establish a new set of requirements for the WAN and reaffirm the objectives of the network with the stakeholders.
- 13 This resulted in the following objectives for the procurement:
 - a) Deliver a new WAN contract for Herefordshire Council, that is scalable, efficient and secure by 31st March 2018;
 - b) Transition to new contract, which is likely to incorporate building of new infrastructure or transition to new infrastructure;
 - c) Reduce the cost of the contract by up to 15% to be confirmed by the competitive tender;
 - d) Refresh network technology where possible in order to ensure that future network capacity is available for Herefordshire Council and network partners through the lifetime of the contract;
 - e) Put in place a robust service delivery model for the network supplier to ensure resilience and continuity of our network services to Herefordshire Council and partners;
 - f) Support the objectives of One Herefordshire and the developing sustainability and transformation partnership by providing network infrastructure that enables sharing of resources and data between health and social care

organisations within Herefordshire; and

- g) To explore opportunities for alternative ways of sourcing the current Government Connect Secure services, due to expire in March 2019 and the council's primary internet service provision currently via Ja.Net due to expire on March 2018.

- 14 As part of this process, supplier market engagement sessions were held in March 2017 to discuss the high level requirements for the procurement. This engagement enabled us to reaffirm the viability of the above opportunities and the objectives of the procurement - "to deliver a unified, scalable, cost efficient and secure wide area communications network for the public-sector organisations of Herefordshire".

Procurement Approach

- 15 A further competition is to be undertaken using Crown Commercial Services (CCS) Framework RM 1045 Lot 1.
- 16 The term of the contract will be for an initial five years with an option to extend for a further two years in one year intervals, seven in total.
- 17 At the end of the initial term and each subsequent extension period, the council may choose to exit the agreement should there be a viable economic or service benefit to doing so.
- 18 The contract will have specific terms enabling the council to terminate the contract earlier for a number of reasons including the below:
 - a) A material default by the supplier relating to their performance of the contract;
 - b) A detrimental change to the financial standing of the supplier;
 - c) Termination related to change of control of the supplier; and
 - d) Termination without cause.
- 19 The consequences of terminating early are clearly stipulated within the CCS contracts and are to be reviewed and agreed by the legal representatives of the council prior to and on completion of the tender

Scope

- 20 The scope of the procurement will include the provision of the below service elements current values are included for reference:
 - a) WAN managed service (£340k pa, plus additional charges for installation and equipment associated to site changes estimated at £100k pa)
 - i. Data connectivity services and equipment
 - ii. Service management of the WAN and associated equipment
 - iii. Backup internet service
 - b) GCS services (£14k pa)

c) HSCN (was N3) NHS Secure network service (estimated £110k pa, values to be confirmed)

d) Ja.net Internet Service (£27k pa)

21 Please note services related to schools, Taurus Healthcare, GP practices and St Michaels Hospice will be identified as optional, should they choose to buy in, it will be at full cost recovery to ensure no additional costs would be attributed to the council.

Procurement schedule

22 In July 2017 the invitation to tender (ITT) will be issued to all 25 suppliers on the framework lot. The planned schedule is below:

Date	Description
July 2017	Issue of ITT
4 September 2017	Closing date of bid submission
1 October 2017	Completion of evaluations
October to November 2017	Outcome and recommendations of contract award put forward for approval.
December 2017	Notice of award published
January 2018	Contract agreed
April 2018	Contract commencement

Evaluation of bids:

23 To determine the most economically advantageous bid, the bids will be evaluated on the basis of compliance (pass/ fail), quality (45%) and price (55%).

24 The evaluation panel will consist of at least four representatives made up of council and Hoople officers as mandatory and additional representatives from the partner organisations as optional.

25 Following evaluation, a tender evaluation report will be put forward to the delegated officer and stakeholder representatives outlining the outcome of the procurement and recommending that the contract be awarded to the bidder who submits the highest scoring bid.

Community impact

26 Implementing this renewal is a back office activity aimed at ensuring continuity of the existing provisioned ICT services. There will be no direct impact to the community as this affects the business operations of the council and that of its partners.

- 27 The recommendations support the council's corporate plan objective to manage finances effectively to secure value for money and deliver a balanced budget.
- 28 Also by ensuring robust support arrangements are in place for essential IT systems the council is able to more effectively progress its ICT strategy and in doing so meet the operational needs of the council.

Equality duty

- 29 The Public Sector Equality Duty (specific duty) requires the council to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying "due regard" in our decision making in the design of policies and in the delivery of services.
- 30 This decision will not negatively affect the council's public sector equality duty.
- 31 WAN will have a positive effect on protected characteristics in providing electronic access to services – specifically areas of age and disability.

Financial implications

- 32 Following the evaluation of bids received and as part of the recommendation to award the contract, the exact cost and value of the contract will be outlined, including any savings identified.
- 33 The current annual contract values plus inclusion of HSCN services for the NHS organisations are set out as below:

	Data circuit rental (£000)	Ja.net service and GCS (£000)	Plus: HSCN services to be included (estimate) (£000)	Total Revenue Estimate (£000)	Estimated Annual Average for Additional services/projects (funded per project) (£000)	Estimated Total Contract Value (£000)
Net current comparable costs (net cost to Herefordshire council)	146	41	0	187	50	237
Costs apportioned to Partners	194	0	110	304	50	354
Total	340	41	110	491	100	591

- 34 Indicatively, the procurement could result in savings of up to 15% against the current total revenue estimate of (£491k) and net (£187k) costs as above. The council's net recurring revenue costs of £187k will be managed within existing revenue budgets.

- 35 Savings may be reinvested to make service improvements or may be allocated as contributions to existing ICT MTFS targets.
- 36 Any non-council organisations will be recharged at full cost recovery for their service elements as applicable in accordance with the councils recharging principles.
- 37 £100k per annum has been estimated for additional services and project change to enable scalability within the contract. Such spend will be subject to the council's or the applicable partners governance processes and the approval of financial business cases as required.

Legal implications

- 38 The requirement for a WAN is incidental to the provision of council services. It supports the operation of the council.
- 39 The procurement must comply with the council's contract procedure rules for EU compliant procurements.

Risk management

- 40 Risk of the council being liable for service requirements related to partner organisations.
 - a) Mitigation: in line with current arrangements, contracts will be drawn up between the council and each partner organisation to ensure appropriate mechanisms are in place to manage the obligations of the partners in relation to services they consume.
 - b) Mitigation: Each organisation is responsible for funding any changes they initiate and the impact that that will have on the charges.
- 41 Risk associated to the cost of the services specified exceeding current revenue council budgets.
 - a) Mitigation: the requirement will be published with the expectation that the new contract must deliver savings, this expectation was supported at the supplier market engagement sessions held in March 2017.
 - b) Mitigation: Each partner organisation will be accountable for any costs associated to the inclusion of services they require. The council will not subsidise services consumed by the partners. Any additional spend required will be subject to the council's or the applicable partners governance processes and the approval of financial business cases as required at that time.
 - c) Mitigation: billing of partners is controlled and monitored by the council and Hoople Ltd to ensure accuracy of invoicing and payments.
- 42 Risk regarding the robustness and effectiveness of the council's contract management, particularly in this specific instance with so many key partners involved.

- a) Mitigation: The council currently have and will continue to have agreements with each partner fully outlining the obligations of the partner including financial obligations for the duration of the agreement. Any non-council organisations will be recharged at full cost recovery for their service elements by the council.
 - b) Mitigation: The contracts between the council and the supplier as well as those between the council and the partners will be managed by Hoople. The council's legal representatives will draft these agreements with the support of Hoople to ensure that they are adequate and robust.
- 43 Risk that the council's own network is adequately protected from security threats such as malware or ransom demands. Including greater risk with wider set of partners on the network, immunity of other elements of a WAN in the event that one element (eg NHS) becomes successfully infected.
- a) Mitigation: Through the use of specific technology, network traffic between the different partners is designed and managed to avoid cyber-attacks that impact one partner from impacting another partner. Where it is deemed necessary, the use of firewalls enables the segregation of data traffic by organisation, thereby minimising the risk of cross infection.
 - b) Mitigation: As part of the current WAN defence strategy, up to date anti -virus and malware solutions are in use, with connected assets scanned and vulnerabilities patched regularly in line with public services network standards. Email is protected via a layered anti-virus/malware and spam solution.
 - c) Mitigation: The council also operates a rigorous data backup regime which would allow the restoration of data from the last known clean back up copy, the frequency of data backups is defined by each applicable service area within the council.

Consultees

44 Partner Organisations: Wye Valley NHS Trust, Herefordshire CCG and 2Gether NHS Foundation Trust.

45 Council members

The points received as part of member consultation:

- a) Welcome the recommendation for re-procurement of WAN through market testing a range of providers: the current provider can then be considered in the light of any alternatives that emerge.
- b) Robustness and effectiveness of the council's contract management, particularly in this specific instance with so many key partners involved, and would seek clarification on arrangements for this.

- c) In the light of the catastrophic recent NHS incident our further concerns are on network security in the event of a cyber-attack.
- d) Risk that the council's own network is adequately protected, including greater risk with wider set of partners on the network, immunity of other elements of a WAN in the event that one element (eg NHS) becomes successfully infected by malware, what is the approach if the council is issued with a ransom demand?

Appendices

- None

Background papers

- None