

Key Decision Report of the Corporate Director of Resources

Officer Key Decision	Date: 29 November 2021	Ward(s): All
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Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement Strategy and Contract Award for Finance Systems Hosting and Support**1. Synopsis**

- 1.1 This report seeks the approval for the procurement strategy in respect Daisy Communications Limited in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 The council's finance system Cedar E5 and collaborative planning software is a hosted service provided by Daisy Communications Limited. The contract for the provision of this service is due to expire in December 2021. This report details the proposed re-procurement of this service through a Crown Commercial Service framework agreement.

2. Recommendations

- 2.1 To approve the procurement strategy and contract award for the provision of data hosting and support services to Daisy Communications Ltd for a period of two years with an option to extend for a further two years in annual increments at a cost of approximately £1,523,068 (for 4 years).

3. Date the decision is to be taken:

3rd December 2021

4. Background

4.1 Daisy Communications Ltd hosts the Cedar E5 and collaborative planning software and provides support services for these applications.

These applications provide the council's general ledger from which the council's accounts are produced, the accounts payable ledger generating all the council's payments by both BACs and cheque, the accounts receivable ledger generating all the council's sundry debt invoices, the revenue and capital budget monitoring systems and revenue budget build.

The current contract expires on 31 December 2021 and council needs to procure these services in order to provide continuity of service.

4.2 Estimated Value

The total contract value is £1,523,068. The annual cost of the contract is £381k. The contract period is for an initial two-year period starting on 1st January 2021, with option to extend the contract for a further two years in annual increments at the end of the initial period. The new contract will be funded from the existing revenue budget which has been provisioned in line with the expected costs.

As the charges in the contract are tied to volume-based activities, it is difficult to identify a defined amount against which savings can be calculated. Due to ongoing digital transformation, it is likely that additional functionalities and bespoke changes may be required and the budget for 2022-23 includes provision for any additional services that may be required in the future.

4.3 Timetable

- Procurement strategy and award agreed with Director of Finance Services September 2021
- Procurement Strategy/Contract award report approved November 2021
- Call-off from CCS framework agreement December 2021
- New Contract 1st January 2022

4.4 Options appraisal

Three options were considered:

a) Do nothing – discounted. This is a core business service, which must be maintained.

b) Undertake a full re-procurement - not recommended. The current system – Cedar is one of the key systems used by the finance team and is integrated into the wider IT infrastructure. Over the last 4 years, multiple bespoke changes have been made at substantial additional costs including staff training. While re-procurement to ensure value for money is an option, it is not suitable in the current scenario as any potential savings would be substantially less than the cost of change including the disruption of service.

During the last year, there have been wide ranging discussions as part of a systems review initiative at Senior Leadership level in regard to future directions (including whether an Enterprise Resource Planning system (ERP) is appropriate. Until firm decisions are made it would be inappropriate to transition the service. As that is likely to take up to 2 years, it was agreed that the current HR and finance system will stay in-situ to avoid complex and resource intensive change programmes. Renewing the contract with existing supplier will ensure continuity of service and utilise the flexible termination option under G Cloud framework to terminate by giving 60 days' notice.

c) Call-off from an existing framework agreement – recommended option. Crown Commercial Services' G-cloud 12 framework agreement provides a procurement process which is compliant with public procurement regulations It provides a standard contract, terms and conditions which have been agreed with all suppliers participating in the framework. It is proposed to call off services from this framework from the existing contract supplier.

d) Host in house - not recommended. The on-premise datacentres contained within our council buildings are no longer fit-for-purpose or sustainable. They are not resilient and present significant risk to the council. Hosting Cedar in the cloud will deliver tangible and significant business benefits, resilience and enhanced public reputation for a positive environmental outcome. Our hosting strategy to migrate our applications into the Cloud and Azure, will deliver benefits around sustainable site development in the case of Newington Barrow Way (NBW); reduce water and energy consumption; remove potentially harmful material that can exist in data centres; and deliver practical options for improving the environmental position and contribute towards our carbon neutral goal for computing services.

4.5 Key Considerations – References to social value and impact on staff.

Daisy Communications Ltd is located outside London and its employees, in common with the wider IT industry, receive higher levels of remuneration than the national average.

As the financial products are already hosted there are no TUPE, pensions or staffing implications.

Social Value: Daisy is an established public sector supplier has multiple initiatives in place to meet its Social Value obligations. Daisy is initiating a move towards NetZero within an accelerated timescale and will be publishing its strategy soon following the recent appointment of a new Head of Environmental Social Governance & Sustainability (ESG) a post entirely dedicated to this function.

Working with their partners they are able to offer carbon offset capability to their customers on a range of global and UK projects.

- Global projects including carbon avoidance, clean and renewable energy generation in developing countries with added social benefits.
- UK tree planting projects, many in school locations helping to educate children and also enhancing wildlife habitats.
- Kenyan reforestation projects focusing on the Great Rift Valley.
- Americas projects which include clean water availability and reforestation – all of the projects in this portfolio are certified to Verified Carbon or Gold Standard.

- Global community projects, support for low-income families which helps to reduce deforestation, clean drinking water and efficient cooking giving health and social benefits for many.

Daisy will be working with a partner - BusinessWise solutions to identify and monitor their carbon output within the 3 scopes required for NetZero and will be investing over £3m to achieve the required offset using this mix of global certified carbon reduction programmes, UK tree planting and local community projects.

4.6 Evaluation

Daisy is an existing G-Cloud product and meets the following key requirement criteria:

1. Can provide Managed Hosting, Managed Service or Managed Applications.
Justification. The core service we wish to procure is the managed hosting of the Cedar system.
2. Accredited to industry standards including ISO27001.
Justification – The standard defines best practice and standard for information security, the service is a business-critical system and therefore a high-risk business area, requiring all suppliers to be accredited to this standard.
3. Disaster recovery - backed up to a secondary data centre.
Justification – To minimise risk of loss of data to a business-critical service, there is a requirement for hosted data to be held on a secondary data centre, to ensure that data and services can be restored efficiently should Disaster Recovery (DR) be necessary.

4.7 Business Risks

As the software is already hosted by Daisy Communications Ltd and represents a no change option; there are no known business risks.

Moving to another supplier would represent a major business risk especially given the limited time available.

- 4.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 4.9 The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Hosting, support and maintenance of the council's financial ledger systems. See paragraph 4.1.
2 Estimated value	The estimated value per year is £380k The agreement is proposed to run for a period of 2 years with an optional extension of a further two years with one-year increments. See paragraph 4.2
3 Timetable	Call-off from central purchasing framework See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Over the duration of the current contract multiple bespoke changes have been made that might not be required by any other council. Hence the opportunities for collaboration are negligible.
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	There are no London Living Wage, TUPE, Pension or other staffing implications. See paragraph 4.5
6 Award criteria	Call-off from central purchasing framework See paragraph 4.6
7 Any business risks associated with entering the contract	There are currently no known business risks See paragraph 4.7
8 Any other relevant financial, legal or other considerations.	See section 5

5. Implications

5.1 Financial implications:

The annual budget for the Daisy contract in 2021/22 is £381k and in 2022/23 it is £429k. The £48k increase from the current financial year has been incorporated in the overall 2022/23 contracts budget and included in the MTFS.

5.2 Legal Implications:

The Council has power to procure finance systems hosting and support services under section 111 of the Local Government Act 1972 and the council may enter into contracts for such services under section 1 of the Local Government (Contracts) Act 1997.

The Corporate Director of Resources may award contracts for revenue spend up to the value of £2 million (council's Procurement Rule 18.1.1).

This contract has been procured from a Crown Commercial Service G-Cloud Framework Agreement in accordance with the Public Contracts Regulations 2015 and the council's Procurement Rules.

In deciding whether to award the contract to Daisy Communications Ltd as recommended the Corporate Director for Resources should be satisfied as to the competence of the supplier to provide the services and that the contract price represents value for money for the Council.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

This is a service that is already being provided through a cloud hosting provider. There are no additional environmental impacts arising from the procurement of these services. The council has sought to minimise its environmental impact by using a data centre which has lower emission and lower energy usage that would be possible had the council chosen to host the service through an on-premises data centre.

5.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A resident impact assessment is not required as this is re-procurement of an existing financial system that has no direct impact on the residents.

6. Reasons for the decision: (summary)

- 6.1 This is a key business service, provision of which must be maintained and changing the supplier is not an option. The procurement strategy allows the service to be procured through a process, which meets the council's Contract standing orders and represent value for money.

7. Record of the decision:

- 7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:

Approved by David Hodgkinson

03.12.21

Corporate Director of Resources

Date

Appendices

There are no appendices to this report.

Background papers: No documents that require listing were used in the preparation of this report.

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