

**REQUEST FOR DMPC DECISION – PCD 210****Title: Value Added Reseller Contract Award****Executive Summary:**

This paper seeks approval to initiate a procurement and contract award to Insight (Direct) UK Limited with a value of up to £50m. The MPS are also seeking approval to initiate the procurement process of the long term replacement of the VAR contract.

**Recommendation:**

The DMPC is asked to

1. Approve the initiation and award of a one year Value Added Reseller contract to Insight (Direct) UK Limited with a value of up to £50m.
2. Approve the initiation of a new procurement for the long term replacement of the Value Added Reseller contract.

**Deputy Mayor for Policing and Crime**

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

**Signature****Date**

9/6/17

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC**

### **Decision required – supporting report**

#### **1. Introduction and background**

1.1 A Value Added Reseller (VAR) is a supplier who provides IT services and is able to negotiate wholesale prices on many goods and services such as:

- Microsoft licences
- Hardware and software
- Maintenance agreements

1.2 The benefit to the MPS is reduced costs and a more dedicated service from the VAR supplier. The VAR contract with Insight Direct is an essential tool in maintaining an efficient, effective and compliant route to market to source a wide range of goods and services that do not fall into the scope of the SIAM Towers model.

1.3 The MPS has been able to benefit from Insight Direct's technology market knowledge to obtain negotiated fees for the Microsoft Enterprise Licences, included a saving of £4.57m. The success of the VAR contract has resulted in the contract value being reached twelve months before the end of the current contract.

#### **2. Issues for consideration**

2.1. The current VAR contract with Insight (Direct) UK Limited is an important tool in supporting many essential services within the MPS. Without the VAR contract the MPS would run the risk of potential late renewal of contracts, which could incur reinstatement fees and other penalties.

#### **3. Financial Comments**

3.1. Business areas wishing to use the VAR contract will be required to ensure funding is available. Financial approval will still be required on a case by case basis through the appropriate purchasing tools such as iBuy.

3.2. The Commercial Team will review all requirements over £50,000 to establish, if the VAR contract is the most appropriate route to market. This is a control mechanism that has been introduced to ensure the VAR contract is not exhausted before the end of the contract term.

#### **4. Legal Comments**

4.1. The direct award of this contract will be made from the Health Trust Europe (HTE) Framework. The framework has enabled access for all police forces, as such the MPS is an approved user. The Directorate of Legal Services has confirmed the use of the HTE Framework is a compliant route to market.

4.2. In accordance with the MOPAC Scheme of Consent and Delegation approval is required by the Deputy Mayor for Policing and Crime for all MPS requests to go out to tender for contracts of £500,000 or above, and to approve contract exemptions (such as direct awards).

#### **5. Equality Comments**

5.1. There are no adverse equality and diversity impacts of the proposed procurement.

## 6. Background/supporting papers

### 6.1. Report.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Part 1 Deferral:**

Is the publication of Part 1 of this approval to be deferred? NO

**Part 2 Confidentiality:** Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – No

**ORIGINATING OFFICER DECLARATION:**

<b>Head of Unit:</b> The Chief Financial Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
<b>Legal Advice:</b> The MPS legal team has been consulted on the proposal.	✓
<b>Financial Advice:</b> The Chief Financial Officer has been consulted on this proposal.	✓
<b>Equalities Advice:</b> No Equalities and Diversity issues identified.	✓

**OFFICER APPROVAL****Chief Executive Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

**Signature**

*R. Lawrence*

**Date**

*7/6/17*



## ***Updated Business Justification – Initiation and Award***

### ***Value Add Reseller Contract Award***

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**Freedom of Information Act Publication Scheme**

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<b>Protective Marking</b>	<b>Not Protectively Marked</b>
<b>Publication Scheme Y/N</b>	<b>Y</b>
<b>Title</b>	<b>Value Add Reseller Contract Award</b>
<b>Version</b>	<b>0.1</b>
<b>Summary</b>	<b>New one year contract award from Health Trust Europe Framework.</b>
<b>(B)OCU or Unit, Directorate</b>	<b>Commercial Services</b>
<b>Author</b>	<b>Lucy Matthews and Sarah Hulme</b>
<b>Review Date</b>	<b>N/A</b>
<b>Date Issued</b>	

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**Purpose of this document**

This template is to be used for procurement approvals for the following type of procurements -

PROCUREMENT TYPE	VALUE	BOARDS
<b>BUSINESS AS USUAL</b>	<b>ABOVE £500k</b>	<b>PROCUREMENT BOARD, PIB AND TO IAB IF CALLED IN</b>

**Version History**

Version	Date	Additions/Modifications	Prepared/Revised by
Draft	02.03.2017	First draft revision	Lucy Matthews
	13.03.2017	Client Unit Revision	Stephen Palcso
	24.03.2017	Draft Revision	Alan Rourke
	03.04.2017	Draft Revision	Sarah Hulme/Lucy Matthews
	13/04/2017	Draft Revision	Sarah Hulme
	10/05/2017	Draft Revision	Alan Rourke

**Internal Consultation & Assurance**

The following people have been consulted in the production of this Business Justification and their opinions incorporated.

Directorate / Dept.	Name & Job Role	Rank / Grade	Date Assured
Commercial Services	Simon Wilson	Director of Commercial Services	22.05.2017
DP	Stephen Palcso	Head of End User Services and Corporate Print	13.03.2017 17.05.2017
HR	N/A		
Legal (DLS)	Luke Collins Prit Mandair	Solicitor Solicitor	10.04.2017 18.05.2017
Property	N/A		
Finance Business Partners	Michael Killoran	Strategic Business Partner	22/05/2017
Health & Safety	N/A		
DCFD	Toby Streeter	Business Change Manager	17/05/2017



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#### **Investment Criteria**



# 1 Decisions Required

The Investment Advisory Board is requested to approve the following:

- The initiation and award of a one year Value Added Reseller (VAR) contract to Insight (Direct) UK Limited (Insight) with a value up to £50m.
- Initiation of a new procurement action for a long term replacement VAR contract

The key issues the IAB need to take account of are:

- The current Value Add Reseller contract with Insight is an essential tool in maintaining an efficient, effective and compliant route to market to source a wide variety of goods and services that do not fall in the scope of SIAM and the Towers model
- The retender process for a long term VAR contract will be started once approval has been given by MOPAC.
- The current VAR contract is near to reaching its total value limit and there is insufficient time to complete a competitive tender and award process prior to this limit being reached.

## 2 Strategic Case

The VAR contract with Insight provides a compliant route for those projects that require purchases of hardware, software and/or services.

- The contract is used extensively for the procurement of:
  - Miscellaneous hardware and software
  - The MPS Enterprise Agreement – Microsoft licences
  - Other maintenance agreements for services not available through the SIAM/Towers
  - Large hardware and software procurements for corporate projects
- The proposed new contract award will enable all of the above to continue until the longer replacement is let.
- Due to Insights' technology market knowledge we have benefited from negotiated fees for large projects, such as:
  - Laboratory Information Management System (LIMS part of Next Generation Forensics System) - £4.32m.
  - Microsoft Enterprise Licences - £4.57m.
  - DELL (Mobility) - £548k.
  - A rebate is included in every quote provided to the MPS representing large savings for the Boroughs and HQ Units.
- The VAR has been invaluable for projects such as **Mobility, Forensics Next Generation, Oracle and Body Worn Video**. It has supported these projects as follows:
  - Purchase of kit for testing, trial and roll out for Mobility at a cost of to date of circa £1.9m
  - Body Worn Video – Initial Data Centre costs amounting to £920k
  - Forensics Next Generation – the modernisation of the forensics services have so far amounted to circa £1.1m
  - Oracle Sun Server requirements costing £1.1m
- The contract is critical for the delivery of National Counter Terrorism Policing (NCTPHQ) services and the team rely heavily on this corporate agreement.
- A large refresh of National Counter Terrorism systems is due to happen in the financial year of 2017-18. This refresh is mandatory and was foreseen. The timelines of these projects have been based upon the use of the VAR contract and if this option is not available it will affect the projects and impact the operational effectiveness of the unit.
- In 2017-18 there are two significant requirements that have been made known to Commercial Services in the last week, which the business would want to use the VAR contract;
  - £5m requirement for Remote Search & Review

- £7m requirement from CTP

- A one year contract will prevent the proliferation of single tender actions, which would inevitably be required due to the specialised nature of many requests and the fact that software licences are proprietary in nature (the Microsoft Enterprise Agreement is the largest example in this category).
- Had the current VAR contract not been in place, we would have had to process circa 53 requests valued over £100k. Out of those 53 requests, 9 were over £1m. The MPS Commercial team is not resourced to manage this workload.
- The success of the VAR contract has been such that in 2016-17 the value of products and services purchased increased by approx. 45% on the previous year to a total of c. £52m. This has meant that the total contract value has been reached over 12 months prior to the end of the contract. The scale of the spend increase has meant the organisation could not react and replace the contract prior to the total contract value being reached.
- Should a new agreement not be approved, we would risk the potential late renewal of contracts that enable essential parts of the MPS service. In the case of licence renewals this is likely to include additional costs from reinstatement fees and other penalties

The MPS has started discussions with the Greater London Authority (GLA) Collaborative Procurement Team and the Police ICT Company to explore collaboration with these organisations, with the objective of collaborating with one of them on the longer term contract. A one year agreement will enable these options to be fully explored prior to defining the procurement strategy for the replacement contract.

### 3 Economic Case

The table below demonstrates the options the MPs currently have available:

Option	Pros	Cons	Recommendation
Do nothing	Contract does not have to be extended in value	The MPS will have no compliant procurement route for a considerable variety of operational needs. This will inevitably result in a number of single tender actions. This approach will be heavily constrained by availability of resources	Not recommended
Direct award of a one year agreement to Insight Direct	A compliant procurement route continues to be available for a wide variety of operational needs.	May not maximise MPS commercial levers	Recommended
Procure a replacement contract	A compliant procurement route continues to be available for a wide variety of operational needs	It is not possible to procure such a contract in the timescale available, though the procurement is underway, in line with the existing contract end date. Until the new contract is in place, the MPS will have no compliant procurement route for a considerable variety of operational needs.	Not recommended

The cashable and non-cashable advantages do not deviate from the current contract. Insight, as our representative in the ICT market will always strive for good levels of discounts, as seen with the Microsoft Enterprise Agreement of 2015-2016 where a savings of £4,578,442 were obtained.

Insight also provide corporate savings in the manner of the rebate spend. Commercial Services will be exploring possibilities of use of this budget.

## 4 Commercial Case

- The direct award of this contract will be made from the Health Trust Europe (HTE) framework. The framework has enabled access for all Police Forces, as such the MPS is an approved user. We will be awarding the contract from Lot 1 of the framework which provides all the services required. HTE have confirmed that the MPS can direct award to Insight as they were the top placed supplier in this Lot during the evaluation process, therefore they provided the Most Economically Advantageous Tender.
- Prior to making this recommendation Commercial Services have undertaken due diligence to ensure the commercial terms of this one year agreement will be no worse than the current contract with Insight.
- The VAR contract has proved invaluable to the MPS and since the contract inception has generated savings of over £10m. Some of these savings were achieved from high value projects such as:
  - The VAR provided a fast and compliant route to market for The Next Generation Forensics (LIMS). This Avoided unnecessary delays to the updating of the Forensics technology. LIMS will enable Forensics to have a clear audit trail for evidential analysis.

The MPS budget for LIMS was originally based on a quote received from another supplier known to MPS. Insight carried out the sourcing activity on behalf of the MPS and found a company called Labware, whose technical requirements and capabilities far exceeded that of the previous supplier. Labware provided a quote that provided a £4.32m saving against anticipated budget.
  - In support of the Commissioner's commitment for 2015/16, Insight ran a series of competitions to test and identify the best technology solutions for the Mobility implementation for tablets. As a result, Dell was appointed. Insight quickly identified that the MPS had not been receiving very good discount levels under SPRINT2, so on behalf of MPS Insight renegotiated a revised discount percentage that generated a yearly saving of £548k.
  - Insight provide the MPS with a Microsoft Software Licencing Specialist to assess the different models to ensure that MPS purchase what they need rather than what Microsoft want to sell them. This service is provided free of charge as part of the VAR contract and would normally cost £75k per annum.

To date this has resulted in a cost saving of £8m which is based on the first two years of the 3 year Microsoft EA Agreement and is calculated based on what the MPS would have been billed without the Insight changes to the contract. There will be further savings of £3.5m to be included on the next year renewal in March 2018.
- This one year agreement will mean sufficient funds will be available while the new tender process is being carried out.
- The MPS Commercial target operating model assumes a VAR contract is in place. As noted in Section 2, in 2016-17 there were a significant number of requirements that would have necessitated procurement tendering activity, had a VAR not been in place. A very conservative estimate of the time required to complete these actions is approximately 1200 days. This equates to c. 5 full time posts, at a cost of over £300k p.a.

## **NOT PROTECTIVELY MARKED**

- Collaboration with the GLA or the Police ICT Company on a replacement VAR contract will be an objective of the longer term contract renewal, with the intention to improve the value for money achieved by the MPS by combining purchasing power with one of these organisations.

## 5 Financial Case

- The VAR contract is set up as a route to market source.
- Financial approval will still be required on a case by case basis through the appropriate purchasing tools, such as iBuy and the Governance process.
- Each requirement over £50k will be reviewed by Commercial on a case by case basis to establish if Insight is the appropriate route to market.
- If deemed as the appropriate route to market, MPS Governance rules must be adhered to (i.e. 1049, approved Business Cases, and iBuy financial approval according to scheme of Delegation).
- Control measures have been applied to current request and will continue to be applied to any future requests to avoid the exhaustion of this new contract within the contract term.

## 6 Management Case

- In preparation of this paper, other available avenues have considered were:
  - **Single Tender Action.**  
A Single Tender Action exercise would not be deemed as a suitable option, as the needs of this contract variation do not meet the requirements set out in Regulation 32 of the Public Procurement Contract Regulations 2015.
  - **Contract Value Extension.**  
A contract value extension would impart more risk of a legal challenge to the MOPAC than the recommended option.
- Commercial Services have advised that contract value exhaustion is due to an unforeseen rise in high value and operationally time critical projects. In efforts to avoid there being a repeat of the contract value exhaustion, Commercial Services will now strictly review all requests, with the appropriate stakeholder on a case by case basis. Alternative routes will be suggested if applicable.
- As noted in the Commercial Case section, Commercial Services will undertake a retender for the VAR. However due to the exploration of collaboration options and the governance process that must be adhered to, the new contract will not be in place until mid-2018. Therefore, if the award of a one year agreement, as an interim solution, the MPS will be without a compliant route to market for a wide variety of operational needs.
- There are no identified Equality and Diversity impacts of this proposed new contract.
- There are no identified Health and Safety and Environmental risk implications associated with the proposed new contract.
- DLS have been approached and agree that this award is compliant as police forces are allowed to purchase and it is stated that the framework agreement has been validly awarded. DLS supports this recommendation



## NOT PROTECTIVELY MARKED

### Appendix 1

Tables 1 and 2 capture the key information in relation to the Procurement Strategy.

<b>1 Procurement Route</b>	
Procurement Type (Part A/B/Exempt/Non OJEU Tender)	Part A
Procurement Route (Existing Met Framework/new Met Framework/External Framework/Met competitive tender/Met single Tender Action)	External Framework
Is the Contract Exempt from the Public Contract Regulations 2006 (if yes please state which regulation is being relied upon and why in additional information).	No
Procurement Procedure (Open/Restricted/Competitive Dialogue /Mini-Competition/Negotiated)	Direct Award from Framework
Contract Technical Weighting (Quality)	N/A
Contract Commercial Weighting (Price)	N/A

**NOT PROTECTIVELY MARKED**

<b>2 Framework Agreement – original tender information</b>	
Name of Contracting Authority which established this framework	Health Trust Europe
Term of Framework (start – finish)	Start Date: December 2015 End Date: December 2019
Are the good/services to be purchased by the MOPAC/MPS within the scope of the framework	Yes
Name in which the MPS appears as a Contracting Authority	Police Forces
Number of suppliers on the framework	7
Method of call-off	ERP Purchase Order
Are model contract terms and conditions prescribed for use by the framework / lawfully amended within the terms of the framework and acceptable to the MOPAC/MPS	Yes
Any known previous issues with this framework (e.g. any challenges).	None

**NOT PROTECTIVELY MARKED**

Tables 3, 4 and 5 set out specific details in relation to the tendering process, the scores awarded against the Pre-qualification questionnaire (if used) and the scores relating to the Invitation to tender process.

<b>3</b>	<b>Tender Information – Not applicable to this contract award</b>	
Date of Approval to Tender (Initiation Approval)		
Date Contract Notice published		
Contract Notice published where		
Date PQQ Issued		
Date by which PQQs had to be returned		
No of PQQ's responses received		
Number of companies invited to tender		
Date ITT's sent out (including where a mini-competition has been conducted)		
Date by which tenders had to be returned		
Number of ITTs returned		
Number of bids received?		
Number of non-compliant bids (state in additional information why the bids were not compliant)		
Number of compliant bids		

**NOT PROTECTIVELY MARKED**

<b>4 Pre-Qualification Questionnaire Results - Not applicable to this contract award</b>				
<b>Supplier Name</b>	<b>Commercial Score</b>	<b>Technical Score</b>	<b>Set Minimum Score (if applicable)</b>	<b>Total Score 100%</b>

<b>5 Invitation to Tender Results - Not applicable to this contract award</b>					
<b>Supplier Name</b>	<b>Total Bid Price (Millions)</b>	<b>Commercial Score</b>	<b>Technical Score</b>	<b>Set Minimum Score (if applicable)</b>	<b>Total Score 100%</b>

## NOT PROTECTIVELY MARKED

Table 6 captures the key information in relation to Responsible Procurement.

Table 7 sets out the key contract information.

6	Responsible Procurement – Not Used. Direct Award via Framework	
	Number of people on NVQs, apprenticeship programmes or graduate training programmes placed from award of contract.	
	Number of possible ex-offenders within our supply chains as a result of the contract.	
	Number of people in typically low paid roles employed by the MPS and their first tier suppliers receive the London Living Wage as a minimum recorded through the contract.	
	Has the supplier been registered on Sedex or a similar programme?	
	Specific Social Value questions in the PQQ/ITT (based on the requirement)?	
	Has a record of the Social Value Act considerations been kept for this contract?	
	Summarise sustainability impacts that have arisen through the procurement process and how have these been addressed? - <indicate no impact where required>	

7	Contract Information	
Business Unit	Digital Policing	
Contract Manager	Lucy Matthews	
Contract Security Classification	Not Protectively Marked	
Tender Reference		
Bluelight Reference	N/A	

**NOT PROTECTIVELY MARKED**

Cost Centre	N/A
Work Breakdown Structure Number	N/A
Total Savings Captured (BPP)	N/A
BPP reference number	N/A
Procurement lead and title	Lucy Matthews – Category Consultant Sarah Hulme – Category Consultant
Financial Budget	N/A
Financial budget approved by	N/A

Table 8 indicates the expected effect of recommended option compared to the 'do nothing'

8	Environmental Implications			
	Higher	Lower	No impact	Mitigation/ management of any higher impact
Level of energy use and associated carbon dioxide emissions			X	
Level of water consumption			X	
Level of waste generation/waste requiring disposal			X	
Level of travel and transport and associated emissions			X	
Raw material use and finite resources (use of recycled materials and sustainable alternatives)			X	

## Investment Criteria (Mandatory)

Criteria	Score 1,2,3,4 or 5		Minimum score required	Indicative Score	Comments
Business requirement	5	Meets one or more of the following criteria:- <ul style="list-style-type: none"> <li>• Health and safety requirement or</li> <li>• Statutory requirement or</li> <li>• Contributes directly to Met Change or</li> <li>• The asset being renewed has failed and is impacting on delivery of front line services</li> <li>• Is the renewal of an existing contract</li> </ul>	5		
	4	The asset is in poor condition and is likely to fail in the near future compromising on delivery of front line services			
	3	<ul style="list-style-type: none"> <li>• Contributes in part to delivery to Met Change</li> <li>• The asset will fail in the medium term, compromising on delivery of front lines services</li> </ul>			
	1	Asset maintenance will be costly in the long run making renewal cost effective			
	0	Does not contribute towards Met Change			
Cashable revenue savings (full year effect)	5	Delivers revenue savings in excess of £5M	1		
	4	Delivers revenue savings between £4M and £5M			
	3	Delivers revenue savings between £3M and £4M			
	2	Delivers revenue savings between £2M and £3M			
	1	Delivers revenue savings between £1M and £2M			



	0	Does not deliver revenue savings			
Return on investment	5	Payback in under a year	4		
	4	Payback in under 3 years			
	3	Payback in under 4 years			
	2	Payback between 5 – 7 years			
	1	Payback between 8 -10 years			
	0	Payback greater than 10 years			
Total			10		
Total exc ROI			6		

