

**REQUEST FOR DMPC DECISION – PCD 84****Title: LOCKHEED MARTIN EXIT MANAGEMENT ACTIVITIES****Executive Summary:**

This paper seeks approval for the release of funding to cover part of the total cost of the Lockheed Martin (LM) Exit Management Activities associated with the "termination for convenience" of the OJEU2 C&C Integration and Management Services Contract. Due to the confidential nature of the proposal the detail is held in Part 2.

**Recommendation:**

That the Deputy Mayor for Policing and Crime (DMPC);

1. approves funding of £3,002,338 to cover part of the total cost to Lockheed Martin Exit Management Activities associated with the "termination for convenience" of the OJEU2 C&C Integration and Management Services 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***Spice Henderson***Date***27/10/16.*

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

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

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

- 1.1. In March 2016 the Command and Control Futures (C&CF) Programme terminated the OJEU1 Configuration Services Contract and the OJEU2 C&C Integration and Management Services contracts with Northrop Grumman and Lockheed Martin (LM) respectively.
- 1.2. The LM contract included for 'Breakage Costs' should the contract be terminated ahead of the contract term, as is the case here.

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

- 2.1. Due to the confidential nature of the proposal the detail is held in Part 2

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

- 3.1. This Paper seeks approval for expenditure of £3,002,338 to enable LM to be paid for the currently agreed exit activities. The total of the payment of £3,002,338 will be funded by accruals, provisions and existing budget.
- 3.2. The LM exit costs agreed to date total £3,523,665, of which £521,327 has already been approved, leaving a further £3,002,338 for which approval is now required

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

- 4.1. The recommendation can be lawfully approved in accordance with MOPAC Contract Regulations and EU/UK Procurement law.
- 4.2. In accordance with the MOPAC Scheme of Consent and Delegation section 4.8, approval is required by the Deputy Mayor for Policing and Crime for all MPS requests of an exceptional nature.

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

- 5.1. There are no direct equality issues arising from this proposal.

#### **6. Background/supporting papers**

- 6.1. None.

**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 – Yes

If yes, for what reason: EXEMPT under Article 2(2)(a) of the Elected Local Policing Bodies (Specified Information) Order 2011.

**ORIGINATING OFFICER DECLARATION:**

	<i>Tick to confirm statement (✓)</i>
<b>Head of Unit:</b> The Head of Strategic Finance and Resource Management 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 Strategic Finance and Resource Management Team 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

25/10/16

U. G.  
APR 11 1961

## **Business Justification (Part 1- Open Version)**

**Funding Approval for Lockheed Martin Exit Management Activities associated with the Emergency Exit (termination for convenience) of the C&CF I&M Services Contract SS3/11/171**

**Investment Advisory Board**

**20 October 2016**

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### **Freedom of Information Act Publication Scheme**

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**Protective Marking**

**Publication Scheme Y/N**

**Title**

Funding Approval for Lockheed Martin Exit Management Activities associated with the Emergency Exit (termination for convenience) of the C&CF I&M Services Contract SS3/11/171

**Version**

3.0

**Summary**

This paper is to seek approval for the release of funding to cover part of the total cost of the Lockheed Martin (LM) Exit Management Activities associated with the "termination for convenience" of the OJEU2 C&C Integration and Management Services Contract.

**(B)OCU or Unit, Directorate**

DP Solution Delivery

**Author**

Andy Yeeles – Programme Delivery Manager

**Review Date**

N/A

**Date Issued**

24/08/2016

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## Purpose of this document

This is the standard MPS template for the production of business cases where a business decision is required by departmental COGs, corporate or project/programme Boards. Although it follows a broadly similar structure, it is distinct from the SOP/SOC/OBC/FBC templates which are only used as part of the Corporate Programme and Project Management process to pass through the required 'Gates'. This template should be used for all other business decisions which require management or corporate approval. It is designed to ensure that all relevant considerations are taken into account when significant business decisions are required. Although the '5 case' structure should always be maintained, the template can be adapted to suit the particular circumstances of the subject matter and the decision required.

## Version History

Version	Date	Additions/Modifications	Prepared/Revised by
v1	24/08/2016	Previous approved content transferred from Briefing Paper Template to Short Business Case Template and reformatted for PIB submission	A Yeeles
v2 Final	22/09/2016	Table added in section 5 to show source of funding	D Edwards
v3.0(Open)	04/10/16	Title page amended to reflect IAB requirement for submission of Open & Exempt Paper	A Yeeles

## 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
Procurement	Mark Faraway – ICT Category Director	SPG4	August 16
DP	Mathew Mallet – C&CF Programme Director	SPG4	August 16
SRO Representative	Kris Wright – Chief of Staff	T/Supt	August 16
HR	N/A		
Legal (DLS)	Andrew Cave – TLT LLP	Associate	August 16
Property	N/A		
Finance Business Partners	Pat Woodhouse – Finance Business Partner	Band S	September 16
Health & Safety	N/A		
DCFD	N/A		

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# 1 Decisions Required

This paper seeks IAB approval for the release of funding to cover part of the total cost of the Lockheed Martin (LM) Exit Management Activities associated with the "termination for convenience" of the OJEU2 C&C Integration and Management Services Contract

The part cost sought through this paper covers those items of LM Exit costs (Resources and Breakage) that have been validated and agreed as appropriate by the C&CF team at this time. Discussions are continuing with LM over their claim for substantial additional costs associated with the Exit. However those costs are separate from the costs that are the subject of this request.

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

- In order to keep Exit costs down, LM have worked at risk since the 11/03/16 and approval of the funding requested in this Paper is required to allow a Purchase Order to be raised and associated invoices paid for the work already completed
- Through a collaborative approach to Exit activities the MPS/LM team have managed the resourcing costs down from an original LM forecast of £2.65m to the current figure of £1.6m. This does not include those items which are the subject of LM's claim for additional payment.



## 2 Strategic Case

### 2.1 Background

On 11 March 2016 the C&CF Programme terminated both OJEU1 and OJEU2 Contracts with Northrop Grumman (NG) and Lockheed Martin (LM) respectively. Following the termination there have been a number of activities that have been performed by LM to release equipment purchased and installed specifically for implementation and support of the OJEU1 product and to redeploy where possible their Delivery Team resources including those of their sub-contractors. In addition the LM contract included provision for "Termination Payment and Compensation Payment" should the contract be terminated ahead of the contract term as is the case here. Through a series of collaborative Exit Management meetings the MPS and LM completed the technical aspects of the Exit in accordance with the planned dates and are now seeking approval of funding to cover the MPS contractual obligations for the Exit.

The original OJEU2 Contract awarded in June 2014 included a sum of £0.521m for Exit activity. At the time of Contract award this was considered an appropriate sum for the controlled handover of a working solution to a third party taking over future Support and Development of the solution at the end of the contract term. In the circumstances of an Emergency Exit (as is the case following this termination for convenience) fresh approval is required since the nature of the expenditure has changed and the activities required to achieve a successful Exit have increased considerably. This, together with the additional costs payable on early termination has resulted in a consequential increase in the overall cost associated with the Exit.

### 2.2 Risk Profile

On termination of the OJEU2 contract there is an obligation on both parties to conduct Exit Management activities. In addition to the LM and MPS Contractual obligations resulting from termination, the MPS also has an obligation to demonstrate that the costs are appropriate for the work involved and that the MPS has made all reasonable attempts to reduce those costs. In doing so the MPS continues to seek opportunities to re-purpose hardware and software released through the Exit activity.

Since the commencement of the termination period LM have demonstrated a highly collaborative approach in working with the MPS team. This has included facilitation of the hardware relocation from non-MPS estate to MPS estate allowing the ability for the MPS to re-deploy certain elements of the hardware to maintain progress on other key Programmes.

LM commenced the Exit activity from receipt of the Notice of Termination dated 11/03/16 and in order to keep the ongoing costs to a minimum worked at risk until July 16 when the MPS were able to raise a Purchase Order to the limit of the funding approved for the original end-of-term Exit. In order to raise a Purchase Order for the remainder of the work completed to date and the agreed additional costs payable on early termination additional approval is required. Until this approval is given there is an increasing risk to the MPS that the collaborative approach may not continue.

### **3 Commercial Case**

There is no new Procurement activity associated with the services detailed within this Paper and the request for funding approval is to meet our existing contractual obligations for Emergency Exit of the Integration and Management Services contract SS3/11/171. On receipt of IAB approval a Purchase Order will be raised to cover the Exit Management activity.

Implementation activity associated with the approval of funding requested in this Paper is limited to the raising of a Purchase Order and the Goods Receipting of associated Invoices once submitted.