



Executive
13th November 2006

**Joint Report from the Director of
Finance & Corporate Resources and the
Director of HR & Diversity**

For Action

Wards Affected:
ALL

**Authority To Award Contract For Human Resources /
Payroll IT Services**

Forward Plan Ref:

Appendices, 2 & 3 of this report are Not for Publication

Appendix 2 and Appendix 3 are not for publication as they contain the following category of exempt information as specified in Schedule 12A to the Local Government Act 1972, namely:

“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.

1.0 Summary

- 1.1 This report requests authority to award the contract for integrated HR/Payroll IT services as required by Contract Standing Order No 89. This report summarises the process undertaken in tendering the contract and, following the completion of the evaluation of the tenders, recommends to which contractor the contract should be awarded.
- 1.2 The Payroll IT service is currently provided under contract with Serco Ltd with the contract expiring on 1st October, 2007.

2.0 Recommendations

- 2.1 That the Executive award the Contract for HR/Payroll IT services to

LogicaCMG, subject to fine tuning of the contractual terms and conditions.

- 2.2 That the Executive delegate to the Director of Finance and Corporate Resources, in consultation with the Director of HR and Diversity and the Borough Solicitor, authority to approve the fine tuning of the contractual terms and conditions with LogicaCMG.

3.0 Detail

- 3.1 The 13th February 2006 Executive granted the Director of Finance & Corporate Resources and the Director of HR & Diversity the authority to invite tenders for a five (5) year contract, renewable for up to a further two (2) years, for HR/Payroll IT services.
- 3.2 A new procurement procedure, the Competitive Dialogue, included in recent European Procurement Legislation which came into force on 31st January 2006, was used for this contract. The procedure allows for indicative solutions to be submitted by tenderers which, together with the Council's requirements, are discussed and clarified at Dialogue meetings. At successive stages, the number of solutions can be reduced by applying the contract award criteria. At the end of the Dialogue Period, the Council's requirements are finalised and tenderers are invited to submit their final tenders.
- 3.3 On 24th February 2006 a notice was placed in the Official Journal of the European Community inviting expressions of interest. In response to the notice a total of 54 firms 'expressed interest' and were all sent outline 'specification of requirements' and pre-qualification questionnaires to complete and return by 30th March 2006.
- 3.4 A total of 18 completed pre-qualification questionnaires were received. Pre-qualification short listing was carried out by a panel of appropriately qualified and experienced individuals who assessed the contractors' financial viability, technical ability and a number of other matters including quality assurance. This exercise resulted in 5 tenderers being short listed and invited to take part in the Competitive Dialogue process.
- 3.5 The short listed tenderers were sent initial contract documentation including a Service Specification, Pricing Schedules, Conditions of Contract, Instructions to Tenderers and evaluation criteria. Initial indicative solutions were requested and received from the tenderers by 31st May 2006 as a starting point for the competitive dialogue.
- 3.6 The Tenderers were:
- LogicaCMG
 - MidlandHR (submitted 2 solutions)
 - Northgate
 - Oracle

- Serco (submitted 3 solutions)
- 3.7 Meetings, system demonstrations and site visits took place during the dialogue period with periodic evaluations of solutions by the Evaluation Panel. The Dialogue period came to an end on 11th September 2006 by which time there were three tenderers, each with one solution, eligible to go through to the final tender stage. The three tenderers were LogicaCMG, MidlandHR and Northgate.
- 3.8 All final tenders had to be submitted to the Council no later than 4.00pm on 2nd October 2006. The three (3) tenders received were opened by Democratic Services at the Town Hall.

Evaluation Process

- 3.9 Evaluation was carried out by a specially appointed panel consisting of three officers from the Payroll Service, three officers from HR & Diversity, the interim Head of the People Centre and an officer from the Information Technology Unit with advice from Sharpe Pritchard who were appointed as legal advisors on the project. The project was managed by the Management Services Unit.

Quality/Technical Evaluation

- 3.10 The Instructions to Tenderers stated that the contract would be awarded on the basis of the most economically advantageous tender, and listed the following criteria (approved by the Executive) upon which the tenders would be evaluated:
- Price
 - Previous appropriate experience
 - Proven ability to meet the service requirements
 - The appropriateness and effectiveness of the proposed system
 - Service delivery approach
 - System implementation approach
 - Provision of support for the proposed system.
 - Further development of the system, including built in savings and innovation.
 - Development of a working relationship with the Council.

The criteria were further broken down and weighted for each of the contracts as detailed in the evaluation matrices in appendices 1 and 2 of this report.

Submissions were given to each member of the evaluation panel who read them individually and used evaluation sheets to score and note down their comments on how well each of the “Quality/Technical” award criteria was addressed.

- 3.11 The panel met on 9th October 2006 and each tender was marked by the whole panel against the “Quality/Technical” award criteria. Further clarification of tenders was sought from all tenderers in respect of

varying aspects of their tenders. On the 18th October 2006 the three tenderers attended interviews with the panel where questions relating to their tender submissions were put to them.

- 3.12 The panel came together again later on 18th October to finalise their scores for the "Quality/Technical" submissions. The final scores are detailed in appendices 1 and 2 of this report. The evaluation of the pricing for each tender was confirmed and combined with the quality/technical scores and the panel came to a decision regarding the recommendation for award of the contract.
- 3.13 All three of the bids were from experienced tenderers and of good quality with all tenders being scored above the acceptable threshold in evaluation. However, LogicaCMG tendered the lowest price and came out best in quality overall, scoring the highest points and showing their submitted system and implementation approach to be the best value option for the Council.

4.0 Financial Implications

- 4.1. The Council's Contract Standing Orders state that contracts for services exceeding £500k shall be referred to the Executive for approval of the award of the contracts.
- 4.2. The estimated value of this contract is £1 million over an initial period of five (5) years, renewable for up to a further two (2) years.
- 4.3 The total budget currently available is £363,000 per annum. Therefore the recommended award of the contract to Logica CMG at an annual cost of £185,723 is affordable within current budget.
- 4.4. A saving of £72,000 has already been agreed for 2007/08 as part of the departmental savings targets (£94,000 for a full year). For 2007/08, the new contract will not come in to place until October 1st, so only six months savings will be achieved (i.e. £88,500 in 2007/08, and £177,000 in a full year). There may be some additional start up costs, or additional costs for some small items which may need to be done in-house under the new contract. Therefore there will be no additional savings in 07/08 after taking the £72,000 already agreed.
- 4.5. For future years, it is recommended that a decision on whether to review charges made to users, or to take centrally any savings above the £94,000 already agreed, is made once the contract is operational and all costs are known.

5.0 Legal Implications

- 5.1 This contract is a High Value services contract (over £500,000 over the life of the contract) as such, in accordance with the Council's Contract Standing Order 90, Executive approval is required for the award of the Contract.

- 5.2 All three tenderers submitted bids which sought variations to the contractual terms and conditions on which the Council called for tenders. LogicaCMG sought the least changes and as stated in 3.13 LogicaCMG tendered the lowest price and came out best in quality scoring the highest points overall.
- 5.3 The estimated value of the Payroll Services contract is higher than the EU threshold for Services, and the tendering of the contracts is therefore governed by the European Public Procurement Regulations embodied in English Law by the Public Contract Regulations 2006.
- 5.4 As advised in the Executive Report requesting authority to tender this contract dated 13th February 2006, the Council must observe the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period before the contract can be awarded.

Therefore once the Executive has determined which tenderer should be awarded the contract, all tenderers will be issued with written notification of the contract award decision. A minimum 10 calendar day standstill period will then be observed before the contract is concluded – this period will begin the day after all Tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the regulations.

- 5.5 Regulation 18 of the Public Contracts Regulations 2006 which governs the Competitive Dialogue process allows the successful tenderer and the Council to fine tune the contractual terms of the bid provided that as a consequence the basic features of the bid or the call for tenders are not changed and the fine tuning does not distort competition.

The changes sought by LogicaCMG to the contractual terms and conditions are not such that the basic features of the call for tenders is changed. These changes are summarised in Appendix 3. If the Executive accept the recommendation to award the contract to LogicaCMG then the Executive is asked to approve discussions on the changes which LogicaCMG propose being entered into with LogicaCMG during the standstill period on the basis that such discussions are without prejudice to the standstill and the Director of Finance and Corporate Resources in consultation with the Director of Human Resources and Diversity and the Borough Solicitor be authorised to approve the results of these discussions.

- 5.6 As soon as possible after the standstill period ends and the contractual terms and conditions have been fine tuned to the satisfaction of the Council, the successful tenderer will be issued with a letter of acceptance and the contract can commence.

6.0 Diversity Implications

- 6.1 The proposals in this report have been subject to screening by officers.

6.2 The implementation of a modern and efficient interactive HR/Payroll system with ease of management reporting and modules for recruitment and training will greatly assist the Council's implementation and monitoring of diversity initiatives for staff.

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 An external contractor currently provides these services, and it is not proposed to bring any of these services 'in-house'. In this event, there are no implications for Council staff arising from the award of the contracts.

8.0 Background Papers

8.1 Procurement files

8.2 Executive Report dated 13rd February 2006

Any person wishing to inspect the above papers should contact Tim Flint, Management Services, Room 18, Town Hall Annex, Forty Lane, Wembley, HA9 9HD.

Duncan McLeod
Director of Finance & Corporate Resources

Val Jones
Director of Human Resources & Diversity