

PART 2 – CONFIDENTIAL FACTS AND ADVICE

MD2007

Title: **Housing & Land IT System Replacement**

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

Commercially sensitive information relating to assessment of supplier tenders and pricing information.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: **30 June 2018**

Legal recommendation on the grounds of keeping the information confidential:

In the event of any request for access to the information contained in this document under section 1 of the Freedom of Information Act 2000 ("the Act"), it is considered that access can be denied on the basis that the disclosure of such information would prejudice tenderers' commercial interests and therefore, is covered by the exemption under section 43 of the Act.

Section 1 of the Act creates the general right of access, which provides that any person making a request for information to a public authority is entitled:

- to be informed in writing by the public authority whether it holds information of the description specified in the request; and
- if that is the case, to have that information communicated to him/her.

Part II of the Act contains a number of exemptions from disclosure for certain classes of information. In particular, section 43 of the Act which provides that information is exempt information if its disclosure under the Act would, or would be likely to prejudice the commercial interests of any person (including the public authority holding it).

Here, officers have indicated that the disclosure of information contained within this part 2 report would prejudice the commercial interests.

The section 43 exemption is a qualified exemption and its use is therefore, subject to a public interest assessment.

Public Interest Assessment

At present, on balance, officers consider that the public interest is best served if the information is not disclosed at this point. Disclosure may have a detrimental effect on the tenderer's ability to operate in genuinely competitive manner and distort competition in the relevant market impacting upon the GLA's

ability to secure value for money in the procurement of such services and the efficient use of public funds which is not in the public interest.

The eligibility of this exemption should be reassessed in the event of a request for this information under the Act as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

Legal Adviser -I make the above recommendations that this information should be considered confidential at this time

Name Stephen Fernandes-Owen, TfL Legal

Date: 8 June 2016

Confidential advice:

2 Procurement Process and Preferred Suppliers

2.1 Three TfL Solutions Framework panel members submitted a tender response by the deadline date and were invited to present their proposals to the evaluating panel, made up of representatives from Housing and Land, TG services and with technical support from TfL procurement. The three respondents were: Keytree and Bidders B and C, who as unsuccessful bidders have been anonymised due to commercial sensitivity.

2.2 The evaluation criteria were:

Evaluation Factor	Max Score	Weighting %
Quality of Delivery - General	25	2.00%
Overview	25	2.00%
Solution Architecture	125	5.00%
Hosting, Environments & Connectivity	50	5.00%
Reporting	25	3.00%
Agile Methodology	150	5.00%
Implementation Planning & Execution	100	6.00%
Lifecycle Solution Support	75	5.00%
Training	25	1.00%
Value-Add	25	1.00%
Legal & Commercial		Pass/Fail
Sub-total		35.00%
Price		65.00%
Total		100.00%

Summary of Tender responses

2.3 The three bidders scored on 'Quality' as below:

	Keytree	Bidder B	Bidder C
Quality Score	27.63 %	9.31 %	9.82 %
	35 % Max Available.	35 % Max Available.	35 % Max Available.
		(Failed to meet the minimum requirement on 11 questions)	(Failed to meet the minimum requirement on 8 questions)

2.4 Because Bidder B and Bidder C failed the quality assessment, their bids were not to an eligible standard so the pricing was not assessed. Therefore only Keytree's bid could proceed.

2.5 Nevertheless, Keytree's estimated fixed price was the cheapest and if assessed would have come out best on cost. Keytree is therefore the bidder to which it is recommended the GLA awards the contract. A summary of the bids is provided below, and the scores given are detailed in annex 1.

Strengths and Weaknesses Overview

Keytree

2.6 Overall Keytree presented the best response to the requirements set out in the tender documents, scoring highest for all the evaluation criteria. Pricing is detailed for information only in paragraphs 2.9 – 2.14 below

Strengths	Weaknesses
<ul style="list-style-type: none"> Simple solution design & technical architecture 	<ul style="list-style-type: none"> Higher average day rate as the team are all London based.
<ul style="list-style-type: none"> Understands GLA reporting requirements 	<ul style="list-style-type: none"> Potentially higher training costs
<ul style="list-style-type: none"> True Agile methodology and exemplar examples 	
<ul style="list-style-type: none"> 100% onshore and mostly co-located team to implement solution 	
<ul style="list-style-type: none"> Suggested a Risk sharing (Reward & Pain) approach to estimating and delivering the solution; if the actual varies from the agreed estimate the surplus or overspend will be split between GLA and KeyTree. 	
<ul style="list-style-type: none"> SAP integration – 'fit for purpose' resourcing 	
<ul style="list-style-type: none"> Training strategy - Bitesize Learning – fast, focused and easy to remember 	
<ul style="list-style-type: none"> Clear data migration plan – start early and keep simple 	
<ul style="list-style-type: none"> Good public sector experience, including delivering a complex TfL solution in the agile approach. 	

Bidder C

- 2.7 Bidder C scored second with an overly complex technical solution that did not meet all requirements. They were also poor on delivery using Agile methodology. They were the most expensive in terms of pricing.

Strengths	Weaknesses
<ul style="list-style-type: none">• Provided a reasonable project plan and understood the requirements.	<ul style="list-style-type: none">• Their team format included a strict hand-off between the onshore roles and the overseas developers; which will cause delays and miscommunication and isn't truly Agile.
<ul style="list-style-type: none">• Strong case study examples of past delivery.	<ul style="list-style-type: none">• They recommended a complex technical solution to address the configurability requirement, which wouldn't have been straightforward for the business to manage and would likely incur a costly ongoing overhead.
<ul style="list-style-type: none">• Good understanding of public sector, particularly security requirements.	<ul style="list-style-type: none">• Although the User Experience was mentioned in the proposal, there was little evidence of how this would be incorporated in the day to day operation.
<ul style="list-style-type: none">• Their solution uses the same cloud hosting services as the GLA.	<ul style="list-style-type: none">• Over complicated and costly SAP solution proposed.
	<ul style="list-style-type: none">• Excessive governance arrangements attached to their delivery team, which included a separate project office as part of their programme
	<ul style="list-style-type: none">• Did not provide estimations of the epic user stories which should give an indication of their understanding of the complexities of the stories and how it can be delivered within the timeframe

Bidder B

- 2.8 Bidder B were in third place and do not meet the requirements. Their proposed technical solution is unacceptable and they do not have adequate experience using Agile methodology.

Strengths	Weaknesses
<ul style="list-style-type: none">Cheaper due to use of offshore labour	<ul style="list-style-type: none">Only 24% of onshore labour proposed therefore 1 hour daily scrum meetings.
<ul style="list-style-type: none">Strong data migration credentials	<ul style="list-style-type: none">Little to no Agile experience. Much more focused on a traditional approach.
	<ul style="list-style-type: none">Very complex model for delivery and implementation, which looked to over emphasise the amount of man hours needed. Would also use software which would require considerable ongoing development to make any changes in the future, adding future costs.
	<ul style="list-style-type: none">Over complicated and costly SAP solution proposed.
	<ul style="list-style-type: none">Included independent 'hardening' phases following the beta 1 and 2 development phases, which is not an integrated approach to development and testing. This also adds to the risk of not delivering to the timeframe

Pricing Overview

- 2.9 The Agile approach to development means that budgets and scope are monitored ongoing, and the team decide on a weekly basis whether to develop certain functionality based on an assessment of complexity (cost) and business value. As such it is hard to definitely price a development, but instead we are able to assign an upper budget to develop a "minimum viable product". As the project develops, the scope can be changed to add or remove elements to ensure the budget is met.
- 2.10 The suppliers based their cost estimates on the minimum viable product set out in the tender documentation. It is likely given the GLA's view of the tenders that this cost could be reduced, or a better specification delivered. This is because a significant amount of work on the user stories and prioritisation has already been carried out by the GLA team which the suppliers had costed in their tenders.

Pricing Breakdown

Supplier	Blended Day Rate	No of Man Days Bid	Estimated fixed price	Training	Total
Keytree	£715.73	3061	£2,190,839	£34,800	£2,225,639
Bidder C	£325.39	9865.09	£ 3,209,999	Not provided	£3,209,999
Bidder B	£231.35	12317	£2,849,504	£2,500	£2,852,004

- 2.11 As KeyTree are intending to staff their entire team on site in the UK, rather than using offshore developers, these rates are higher but their overall man days are the lowest of the three. The other two suppliers had a large number of man days to cover communication between on and off shore teams, and over complicated governance structures with little value add for the GLA.
- 2.12 All suppliers produced an estimated fixed price cost, as highlighted above. This is to assist with budget setting. However, as highlighted above the Agile approach means the costs will be closely monitored on an ongoing basis, and it is hoped the costs will be lower. Keytree have also proposed a cost sharing mechanism where if the cost for a particular sprint turns out to be cheaper than the budget estimate, then the saving will be shared 50/50 with the GLA.
- 2.13 Costs were also provided for the ongoing maintenance and hosting of the system, however this is not part of the budget sought, as there is a separate H&L annual budget approved for maintenance and support costs for their systems. The procurement specification set out that this package must be able to be provided by any supplier, and there was no guarantee support would be provided by the original developer. All suppliers have specified an open source development which will make this possible.
- 2.14 Our current yearly IMS maintenance costs are £107,726. This figure fluctuates depending on the amount of bug fixes required from the HCA. It does not include the equivalent of 3 FTEs (split across the day to day work of around 8 members of the team) who are responsible for testing the HCA fixes and managing the relationship with the HCA developers. The current estimates are more than the current costs, but we will work with suppliers and the GLA IT department to specify and minimise the costs. This will be done in more detail once the final product is in place and budget will be sought as required.
- 2.15 It should be noted that only Keytree proposed a total support package. The other two providers expected the GLA to provide the first level of support call handling. This would involve additional costs of at least 2 FTEs in the IT team as the resource is not currently available.

3 Financial Comments of the Executive Director of Resources

- 3.1 Mayor's Decision requests approval to appoint KeyTree as the preferred supplier of the systems replacement project and allocate a budget of £2.5m (£2.2m quoted by KeyTree + £300k contingency) to deliver new Housing and Land (H&L) IT system. This is a capital expenditure and will be allocated from the Mayor's Housing Covenant 2015/18 programme budget.
- 3.2 The Delivery Team, running the Systems Replacement Project consists of a core team of GLA officers who have technical expertise and experience of systems used within the GLA. As a result, MD1665 outlining the backfilling of specific posts, has been approved by the Mayor (subject to Mayoral approval to enter into contract with the preferred development supplier) to allow the Delivery Team to work with the supplier to manage the delivery of this project.
- 3.3 H&L received three bids, against evaluation criteria of Quality (35%) and Price (65%). The preferred bidder, KeyTree, scored the highest, with other bidders failing on quality and submitting higher fixed price estimates for project costs.
- 3.4 Agile methodology was chosen to deliver this project and as such suppliers based their cost estimates on the minimum viable product set out in the tender documentation. Adoption of Agile methodology in delivering this project means a closer control with regular supplier meetings and hence a tighter control of the budget.
- 3.5 One of the systems currently used by the GLA and maintained by the HCA is Project Control System (PCS). Notice has been given by the HCA that the provision of the PCS system to the GLA will cease as of 31 June 2017. Hence, the new system will need to be at an operational stage by this date.

- 3.6 Once the system is up and running a separate approval will be sought for Maintenance and Hosting costs (which do not form part of this decision).
- 3.7 Any changes to this proposal, including any requests for additional funds, must be subject to further approval via the Authority's decision-making process.

Annex 1 – Summary of Evaluation Results

Question	Keytree	Bidder B	Bidder C
1.10 Quality of Delivery - General (R10)	Outstanding	Poor	Poor
2.1 Quality of Delivery - Overview (R11)	Outstanding	Poor	Meets the Requirement
3.2 Solution Design - Architectural Solution (R15)	Good	Poor	Poor
3.3 Solution Design - Technical Solution (R13)	Good	Unacceptable	Poor
3.4 Solution Design - Technical Solution (R16)	Good	Meets the Requirement	Meets the Requirement
3.5 Solution Design - Security (R17)	Good	Meets the Requirement	Meets the Requirement
3.6 Data Migration (R18)	Good	Meets the Requirement	Meets the Requirement
4.1 Solution Design - Hosting (R19)	Meets the Requirement	Meets the Requirement	Meets the Requirement
4.3 Performance & Connectivity - Data Transfer and Processing (R21)	Good	Meets the Requirement	Meets the Requirement
5.1 Solution Design - Reporting (R23)	Outstanding	Meets the Requirement	Meets the Requirement
6.1 Agile Methodology - Agile (R47)	Outstanding	Unacceptable	Poor
6.2 Agile Methodology - Agile (R34)	Good	Poor	Meets the Requirement
6.3 Agile Methodology - Agile (R35)	Good	Poor	Poor
6.4 Agile Methodology - Agile (R14)	Meets the Requirement	Unacceptable	Poor
6.5 Agile Methodology - Agile (R31)	Good	Meets the Requirement	Meets the Requirement

Question	Keytree	Bidder B	Bidder C
6.6 Agile Methodology - Agile (R48)	Outstanding	Poor	Poor
7.1 Implementation Planning & Execution - Quality of Delivery (R25)	Outstanding	Poor	Meets the Requirement
7.2 Implementation Planning & Execution - Quality of Delivery (R27)	PASS	PASS	PASS
7.3 Implementation Planning & Execution - Project Management / Implementation / Transition / (R28)	Outstanding	Meets the Requirement	Unacceptable
7.4 Implementation Planning & Execution - Documentation (R30)	Good	Meets the Requirement	Meets the Requirement
7.5 Implementation Planning & Execution - Implementation Methodology (R32)	Outstanding	Meets the Requirement	Meets the Requirement
7.6 Implementation Planning & Execution - Assumptions (R36)	PASS	PASS	PASS
8.1 Support - Support for the service (R38)	Good	Meets the Requirement	Meets the Requirement
8.2 Support - Support for the service (R39)	Good	Meets the Requirement	Meets the Requirement
8.3 Support - Support for the service (R40)	Good	Meets the Requirement	Meets the Requirement
9.1 Implementation - Training - Training (R41)	Good	Meets the Requirement	Meets the Requirement
10.1 Value-add - Value-add (R45)	Good	Poor	Meets the Requirement

Evaluation scoring methodology

Descriptor	25 Point Geared Scale	Detail
Unacceptable	0	The response does not meet the requirement. Does not comply and / or insufficient information supplied. Little or no evidence to support the response.
Poor	4	Some minor reservations Little or no evidence to support the response.
Meets requirements	9	Demonstration by the Tenderer of the relevant ability, understanding, experience, skills, resource & quality measures required to provide the supplies / services, with evidence to support the response.
Good	16	Above average demonstration by the Tenderer of the relevant ability, understanding, experience, skills, resource & quality measures required to provide the supplies / services. Response identifies factors that will offer potential added value with evidence to support the response.
Outstanding	25	Exceptional demonstration by the Tenderer of the relevant ability, understanding, experience, skills, resource & quality measures required to provide the supplies / services. Response identifies factors that will offer potential added value and continuous improvement, with evidence to support the response.