Report

Report to:	**Finance and Information Technology Resources Committee**
Date of Meeting:	**1 February 2011**
Report by:	**Chief Executive**

Subject:	**Extension of Contracts for the Supply and Support of Server Equipment and Desktop Equipment**

1. Purpose of Report

1.1. The purpose of the report is to:-

♦ Advise of the current status of negotiations to extend the contracts for the supply and support of server computer equipment and desktop computer equipment and seek approval to progress with the recommended option.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

(1) that the contract with Computacenter (UK) Limited for the supply and support of the Council's desktop computer equipment be extended for 3 years until 30 June 2014 on the basis of reduced service levels to achieve cost saving.

(2) that the contract with Computacenter (UK) Limited for the supply and support of the Council's server computer equipment be extended for 3 years until 30 June 2014 on the basis of remote support for some elements of the service offering to achieve cost saving.

3. Background

3.1. In May 2010, the Finance and Information Technology Resources Committee approved the extension of the contracts for the supply and support of the Council's desktop computer equipment and server computer equipment for 3 years.

3.2. A small team of IT managers was formed to negotiate the extensions and associated implications with Computacenter.

3.3. Various meetings and workshops have been held, initially to explore the Council's requirements particularly in relation to efficiency savings and more recently to discuss the viable service delivery options.

4. Service Delivery Options

4.1. The service requirements for the supply and support of both desktop and server equipment are unchanged, however the negotiation team were given a clear objective to seek to reduce costs via efficiencies in terms of alternative service delivery options and / or reduced service levels.

4.2. A number of options were considered, 3 of which were taken forward to provide indicative levels of possible savings:

♦ In the first option, the proposed changes focus on the desktop contract. The current service levels are delivered by a dedicated onsite team. Savings can be achieved by replacing this with hardware vendor warranty, with the addition of a hardware swap service to support designated VIP users and a remote software installation service. Warranty fixes will be delivered by the hardware vendor (Lenovo); out of warranty fixes will be delivered by Computacenter on a time and materials basis. The hardware swap service for VIP users will be a next business day service for incidents notified before 3pm.

♦ The second option incorporates the proposed changes to the desktop service levels in option 1 and additionally includes proposed changes to the delivery mechanisms for server support. A number of server support functions currently carried out by a dedicated onsite team would be delivered via a remote team. This would require integration between the Council's configuration management system and Computacenter's system to enable the management of incidents and requests. In addition, a new toolset would be introduced to enable remote monitoring and management of the server hardware and operating systems.

♦ The third option was very similar to the second option but did not require the introduction of the new monitoring and management toolset, instead continuing to use the existing toolset utilised in SLC which is currently fit for purpose but has no guarantee of future viability.

4.3. Overall the projected savings for each of the 3 options, when compared to the 2010/11 spend of £1,917,439, are of the following order per annum:-

♦ Option 1   9%   £180,000
♦ Option 2   20%   £390,000
♦ Option 3   28%   £550,000.

However, approximately 30% of the spend on the server contract relates to the National Infrastructure (Improvement Service) so not all of the saving will accrue to the Council. In option 1, the savings all relate to desktop contract so all of these savings would accrue to the Council. In options 2 and 3 an indication of the likely split of the savings is as follows:-

	Council	**Improvement Service**
• Option 2	£327,000	£63,000
• Option 3	£439,000	£111,000

4.4. Assumptions built into these figures include
   ♦ an estimated 10% reduction in the number of desktop devices to be supported based on a reduction in employee numbers and consolidation of desktop devices across Resources
   ♦ both contracts will be extended for the full 3 year period. There will be penalties for early termination of either contract.
   ♦ a change in server numbers beyond + or – 25% will require a redesign of the service
   ♦ storage use will not increase beyond current capacity
   ♦ percentage annual uplift for hardware support will be no more than 4%
   ♦ requests for software installs beyond agreed monthly threshold (20 units) will incur additional costs.

4.5. Options 2 and 3 require the introduction of integration between the systems used by the Council and Computacenter. The estimated cost of this is in the region of £45,000 in year one with ongoing revenue costs of approximately £5,000 from year 2 onwards. These costs would need to be offset against the projected savings at 4.3 above.

4.6. There is a degree of risk associated with the introduction of the changes necessary to achieve the proposed levels of efficiency savings and the biggest saving obviously incurs the most risk. However to achieve the level of savings that has been requested of Information Technology Services, all opportunities require to be considered. The difference between options 2 and 3 lies only in the introduction of the new monitoring and management toolset. The costs associated with this new toolset are substantial, especially since the benefits may only be realised for the 3 year contract extension period as any new contractor may then elect to use a different toolset. The current toolset is only used to monitor the priority servers and is more of a reactive rather than proactive solution, however, it has been used successfully for a number of years and is still fit for purpose. Technical support and upgrade path is limited since the tool is nearing the end of its roadmap.

5.   Recommendation

5.1. To achieve the level of efficiency savings expected from Information Technology Services, it is recommended that option 3 should be taken forward. However, the risks associated with this option should not be under estimated.

5.2. High level efficiency savings have been identified but further work will be required to develop a charging model for the option to be taken forward and assess the impact for Resource budgets.

5.3. Service level changes will need to be communicated to Customers and end users to ensure they understand the possible impact. Incident levels to date have been low across both contracts and, therefore, the impact of reduced service levels should be manageable.

6.   Employee Implications

6.1. None

7.   Financial Implications

7.1. Efficiency savings have been identified but further work will be required to accurately split the savings between the Council and the Improvement Service.

7.2. The existing internal charging models for desktop and servers will need to be revised to reflect the changes.

8.   Other Implications

8.1. The main risk associated with the contracts is delivery failure and any associated overspend. The risk has been assessed as low given the detailed budget management applied to this contract by Information Technology Services on behalf of the Resources. The risk of a service failure or overspend is managed through monthly contract review meetings at which any exceptions to service levels are analysed. Early correction is applied where appropriate.

9.   Equality Impact Assessment and Consultation Arrangements

9.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

9.2. There is no requirement at present to undertake any consultation but there will be a future requirement to consult with the Improvement Service on determining the split of efficiency savings as a result of these contract extensions.

Archibald Strang
Chief Executive

21 December 2010

Link(s) to Council Values/Improvement Themes/Objectives
♦ Value: Accountable, effective and efficient

Previous References
None

List of Background Papers
♦ Committee reports recommending contract extensions

Contact for Further Information
If you would like to inspect the background papers or want further information, please contact:-
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