

From: Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

Lisa Gannon, Director of Technology

To: Policy and Resources Cabinet Committee – 17 January 2024

Subject: Kent Public Service Network (KPSN) Re-Procurement 2024

Decision no: 23/00119

Key Decision: Yes, this *decision affects more than 2 Electoral Divisions and involves expenditure or savings of maximum £1m.*

Classification: UNRESTRICTED Report with *EXEMPT APPENDIX A, not for publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

Past Pathway of report: Policy and Resources Cabinet Committee, 13 July 2021

Future Pathway of report: Cabinet Member Decision

Electoral Division: All - Countywide

Is the decision eligible for call-in? Yes

Summary: Kent Public Service Network (KPSN) is a not for profit, single ICT infrastructure delivering Wide Area Network (WAN), broadband, telecommunication, and internet connectivity services to in excess of 1500 establishments across Kent, including fire stations, schools, local Government offices, universities, colleges and health organisations. Since the creation of the KPSN Partnership in 2008 and its subsequent contract in 2014, it has gone from strength to strength, delivering substantial cost savings where partners have a simple route to market for their ongoing evolving requirements, taking advantage of the aggregated buying power and access to preferential rates that KPSN provides. As well as achieving lower costs, partners have access to the expertise and knowledge provided by a dedicated team to ensure their requirements are delivered in the best way possible i.e., using the network with the power of collaboration that would otherwise create duplication within Kent unnecessarily.

The KPSN agreement with Daisy Updata Communications Ltd (DUCL) is due to expire in August 2024. All contract extensions have been utilised and a replacement supplier is required to continue providing network connectivity.

This report updates Members on the status of the re-procurement of this contract and sets out the next steps.

Recommendations:

The Policy and Resources Cabinet Committee is asked to consider and endorse or make recommendations to the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services on the proposed decision to:

- i. APPROVE the award of a contract for the provision of network and telecommunication connectivity services for a period of 4 years, from 8 August 2024 to 7 August 2028, with the option for a contract extension of a further 3 years, from 8 August 2028 to 7 August 2031, which will continue to be managed by the Kent Public Services Network Partnership.
 - ii. DELEGATE authority to the Director of Technology to finalise terms of and award contracts to the successful provider and to approve, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, the exercise of any extensions permitted within the agreed contacts; and
 - iii. DELEGATE authority to the Director of Technology to take other relevant actions, including but not limited to entering into contracts and other legal agreements, as required to implement the decision.
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1. Introduction

- 1.1 The Kent Public Services Network (KPSN) agreement with Daisy Udata Communications Ltd (DUCL), a company of Capita Plc, is due to expire in August 2024. All contract extensions have been utilised and a replacement supplier is required to continue providing network connectivity to our partners.
- 1.2 In addition to providing secure and resilient core network connectivity, KPSN provides a range of value-added services, such as network security, public and commercial internet, Wi-Fi, CCTV, mail filtering, remote access services and cyber security protection.
- 1.3 KPSN is a partnership, it is not a legal entity and Kent County Council (KCC) is the Contracting Authority.

2. Background

- 2.1 The KPSN is a broadband ICT network developed by a partnership of public sector agencies. Built to the highest standards, this integrated network has been designed to meet growing demands for better access to services, collaboration, and multi-agency shared services. The core principles of KPSN are that a collective approach to the provision of telecommunications services decreases the cost and increases the value proposition to our partners.

2.2 The KPSN Partnership is constituted through a broad range of public sector organisations which are set out in the list below:

- Ashford Borough Council
- Canterbury City Council
- Cantium Business Services
- Citizens Advice North & West Kent
- Dartford Borough Council
- Dover District Council
- Folkestone and Hythe District Council
- GOETEC Limited.
 - University of Kent
 - University of Greenwich
 - Canterbury Christ church
- Gravesham Borough Council
- Janet UK (JISC)
- Kent Connects
- KCC Offices and Libraries, Academies & Independent Schools
- Kent Fire & Rescue Service
- Kent Police
- Maidstone Borough Council
- iMicro Ltd
- Medway Unitary Council
- NHS Kent & Medway ICB
- NHS Kent Community Health Foundation Trust
- NHS East Kent Hospitals University Foundation Trust
- NHS South, Central and west Commissioning Support Unit
- NHS Maidstone and Tunbridge Wells NHS foundation Trust
- NHS Kent and Medway Partnership Trust
- Pilgrims Hospices
- Shepway District Council
- Sevenoaks District Council
- Swale Borough Council
- Thanet District Council
- Tonbridge & Malling Borough Council
- Tunbridge Wells Borough Council
- University of Creative Arts

2.3 DUCL is the service provider of the contract that underpins the KPSN Partnership which is due to expire in August 2024.

2.4 The contract was originally let in August 2014 for 6 years with various options to extend for a further 4 years. The 2014 contract opportunity was advertised for a value of £75m over the 10-year duration, however due to consolidation of demand on the network core, the overall spend from 2014-2024 is estimated to finalise between £50m-£55m. Further information can be found in the exempt appendix.

2.5 The challenges of Brexit and the COVID-19 pandemic have completely reset the baseline for public services within Kent and have reinforced the value of an integrated resilient public service network, which underpins service delivery and enables mutual support between public sector agencies.

3. Objectives of the KPSN Re-procurement

- 3.1 Ensuring the continuation of KCC's (and other partners on KPSN) network connectivity requirements are delivered and managed, including a whole range of services providing resiliency, security and flexibility.
- 3.2 Continuing to be the trusted partnership model and vehicle for Kent public sector organisations.
- 3.3 Provide services that are excellent value for money by continuing to aggregate partner requirements and streamline infrastructure where possible.
- 3.4 Be the go-to solution to assist partners with their migration from on premise infrastructure to Cloud solutions, and/or a hybrid of both.
- 3.5 Continue to remove the task of managing a network away from KPSN partners to allow them to focus on their own individual organisation's objectives.
- 3.6 Continue to be a vehicle for partner collaboration throughout the public sector in Kent.

4. Collaboration Efforts

The following options have been considered:

4.1 Collaboration with another County Council

- 4.1.1 Essex County Council (ECC) provide a similar service to KPSN, as they aggregate user requirements to access advantageous pricing, contractual terms, higher levels of services etc. The main difference to the KPSN model is the ECC model was designed as a framework, so ECC user organisations contract directly with the service provider.
- 4.1.2 The ECC service provider is also DUCL, the main difference being DUCL are sited permanently at Essex County Hall and ECC maintain a 'hands-off' approach in the day-to-day activity.
- 4.1.3 The contract between ECC and DUCL terminates at the end of 2024 (4 months after the KPSN contract). Collaborative discussions started in 2019 as there was an opportunity to jointly terminate both DUCL contracts in 2022 (and not take advantage of the final contract extension).
- 4.1.4 KPSN and ECC participated in joint early market engagement in 2020 (ECC leading as the lead authority) which involved virtual meetings with 18 suppliers in the network and communications market.
- 4.1.5 ECC decided not to progress onto a procurement after the early market engagement activity as the information obtained proved that the network and communications market was unstable due to the effects of Covid-19 and the sudden change in what customers needed to continue to operate.

4.1.6 KPSN and ECC jointly decided to discontinue the option of collaboration due to various factors listed below:

- Both organisations had differing appetites to extend the existing contract and KPSN wanted to take advantage of the available extensions left on the contract to allow the market more time to stabilise following the COVID-19 pandemic.
- It was agreed determining the 'lead authority' would be challenging, i.e., ownership, liability, and governance.
- Different operating models were preferred, i.e., partnership working vs. framework call-offs.
- Different funding models were preferred, i.e., self-funding via partner contributions vs. 'hand-off' approach and the supplier manages the financial model.

4.2 Collaboration with NHS

There is a continued appetite to explore a more centred/grouped collaboration with the NHS, however, there has not been an opportunity to open dialogue, despite the attempts from KPSN. This could have been due to the Clinical Commissioning Group (CCG) consolidation (reduction from 9 to 1 CCG) and resources available. In addition, the CCG were in the process of changing their CSU (Clinical Support Unit) provider during this time.

Despite no traction being gained in a collaborative procurement effort, KPSN has continued to work with NHS organisations which has resulted in a number of them becoming new KPSN Partners.

5. Options considered and associated risk

5.1 The following options were considered for the re-procurement of the KPSN 2024 contract:

5.1.1 **Option 1 - Further competition through RM3808 CCS framework.** Whilst this would provide competitive process and deliver the same benefits as our chosen option, the incumbent supplier would not be able to bid as they are not on the relevant lots, and it is best practice to include the incumbent where possible.

5.1.2 **Option 2 - Direct award to current supplier.** This option is positive in terms of stability and continuity but reduces scope to seek improved value for money through relevant competition arrangements.

5.1.3 **Option 3 - Full tender process under Public Contract Regulations.** This provides the greatest flexibility for determining best end solution but is not viable at present due to extensive timescales, mobilisation periods and discontinuity.

6. Financial Implications

- 6.1 The KPSN contract is a self-funded partnership with the new contract estimated to cost between £30M and £40M for the total contract duration of 7 years (with all extensions considered). All costs incurred are recharged to partners. KCC is both a partner and the Contracting Authority and only pay for the services it receives from its technology budgets. An important feature of the network is that it is self-sustaining financially. The means to ensure that the network remains resilient and fit-for-purpose is provided through a renewals reserve programme and the re-procurement activity has been fully funded through a procurement reserve. Each partner makes a contribution to the reserves, as part of their recharges, to enable the replacement of end-of-life hardware and software. It also funds the programmed upgrades of circuits which go above 50% average utilisation, to maintain the required capacity as partners' requirements flex and additional sites join the network.
- 6.2 The cost of the KPSN core infrastructure is fairly static, consequently the addition of new partners and/or sites, results in a decrease in the cost to existing partners. Conversely, the loss of partners/sites potentially increases the cost, however the risk is fairly well mitigated by means of a robust contract between KPSN and the partners.
- 6.3 The schools' market has become significantly more competitive over recent years, and schools can be tempted by a cost reduction for what may appear to be an equivalent service. KPSN has recently partnered with two organisations (one existing partner and one new partner) to continue providing value for money services to the schools' sector.
- 6.4 There are also opportunities for growth, however, such as the potential addition of 700 private care homes to the network as part of the Digital Inclusion Programme, the recent addition of the NHS Kent and Medway Integrated Care Board (ICB) that has a requirement of up to 300 GP surgeries, or Kent Highways utilising KPSN for street furniture or Traffic Management.
- 6.5 It is also worth noting that zero partners have left KPSN since its creation.

7. Legal implications

- 7.1 KCC is the Contracting Authority and all partners (including KCC) have signed a legally binding Partnership Service Agreement before taking on KPSN services.
- 7.2 All new partners are required to sign a Partnership Services Agreement prior to taking on KPSN services. This agreement sets out the roles and responsibilities of each party.
- 7.3 As costs may decrease with new partners onboarding to KPSN, costs could also increase should a partner leave KPSN or reduce its requirements on the network. The Partnership Services Agreement sets out the termination notice period for partners to cease requirements, which is 12 months' notice, plus the remainder of the financial year the notice is served in. This time allows KPSN

the opportunity to investigate streamlining the network where possible to minimise any financial impact that may arise.

7.4 The procurement undertaken was conducted by using a recognised public sector framework in strict accordance with the Public Contract Regulations (PCR2015) and in consultation with Strategic Commissioning.

7.5 Internal and external Legal advice has been sought and funded by KPSN from the inception of this re-procurement.

8. Equalities implications

An Equalities Impact Assessment (EQiA) (Appendix B) has been completed and due to the nature of what KPSN is no issues or key issues have been identified.

9. Data Protection Implications

9.1 KPSN conducted the Data Protection Implication Assessment (DPIA) screening tool and concluded a DPI was not required.

9.2 KPSN has no access to the data that transmits over the KPSN network.

9.3 KPSN suppliers (including subcontractors) has no access to data that transmits over the KPSN network.

9.4 Only the data owner and handler are able to access and have visibility of the data.

10. Governance

As the contract is held by KCC, the re-procurement of the contract requires a key decision in accordance with the KCC's constitution and governance process.

11. Conclusions

11.1 The KPSN contract has been a successful partnership arrangement which has facilitated connectivity across the public sector in Kent since 2008. This has proved invaluable to its partners. The current contract is due to expire in 2024. It is recognised the services currently provided by KPSN and its model will need the flexibility to allow partners to deliver their forward strategy and advances in technology.

11.2 The KPSN – DUCL contract has now used all possible extensions, making the final expiration of the contract August 2024. The 30+ partners contributing to KPSN have all expressed an interest to continue utilising KPSN services for their network connectivity needs for the foreseeable future. It is also worth noting the contracts governing the relationship between KPSN and the partners have no end date. They are automatically renewed each year and have strict termination periods (12 months plus the remainder of the financial year the

notice is served) to protect the stability and funding of the partnership and Contracting Authority (KCC).

- 11.3 A KPSN partner engagement exercise was conducted in 2022 to analyse partner appetites and requirements for the next 5-10 years with regards to their Cloud migration strategies, which concluded 32% would not be able to migrate until at least 2027 and a further 47% beyond 2027. 5% of partners had no timescales or objectives in place. The existing network is considered by all partners to be fit for purpose and allows flexibility and scalability where required. The general consensus between partners is that the contract is end of term, not end of life.
- 11.4 A market analysis process was conducted in late 2022 that involved 8 network and communication suppliers (both large and SME) to ascertain the best way forward for KPSN considering the impact and challenges faced by Covid19 and the financial impacts of Brexit.
- 11.5 A full procurement exercise has been undertaken, with evaluations due to be completed by end December 2023.
- 11.6 Potential new contract costs can be found in the exempt appendix. The cost of the current contract is expected to finalise at £53,218,149 for the total of 10 years.
- 11.7 The procurement was based on a like for like basis which will minimise any impact to the services partners receive, no matter who the service provider is. We have ensured we have a service to offer no matter where the partner is, whether they require the services we provide today currently, a hybrid set of requirements or fully implemented Cloud based services. We aim to futureproof the service offering as best as possible, to cover all ranges of requirements.

11.8 The indicative key milestones are as follows:

Indicative Milestone	Key Dates
Partner engagement activity	May 2022 – June 2022
Market Analysis	September 2022
Governance including Full Commercial Case approved	August 2023
Undertake Procurement	August 2023 – December 2023
P&R Cabinet Committee - Key Decision	January 2024
Contract Award	February 2024
Contract Mobilisation	February – August 2024
New supplier fully in place	August 2024

Recommendations:

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12. Background Documents / Appendices

- 12.1 Appendix A – Exempt Financial Information
- 12.2 Appendix B - Equality Impact Assessment
- 12.3 Appendix C - Proposed Record of Decision

13. Contact details

Report Author: Stuart Cockett, Interim Head of KPSN Telephone number: 03000 41 01 34 Email address: stuart.cockett@kent.gov.uk	Director: Lisa Gannon, Director of Technology Telephone number: 03000 41 43 41 Email address: lisa.gannon@kent.gov.uk
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