

## CONTRACT AWARD RECOMMENDATION REPORT (CARR)

**From:** [REDACTED] Senior Portfolio Specialist, Scottish Government  
More Powers Implementation Procurement Team (MPIP)

**To:** Lisa Baron-Broadhurst, Programme Director, Social Security,  
Social Security Directorate, Scottish Government

**Date:** 2 October 2017

### Executive Summary

Title of Purchase	Low Income Benefits Agile Service Design
Procurement Portfolio Manager (Lead)	[REDACTED]
Senior Portfolio Specialist	[REDACTED]
Customer	Lisa Baron-Broadhurst, Programme Director, Social Security, Social Security Directorate, Scottish Government
Recommendation	Contract is awarded to IBM UK Ltd
Contract Duration	30 October 2017 to 29 October 2019 with the option to extend by up to 6 months to 29 April 2020.
Original Estimated Contract Value within the ITT	£8,000,000 to £12,000,000 including VAT for the full term of the contract including any extension period. (£6,666,666.67 to £10,000,000 excluding VAT)
Contract Value (ex VAT)	The maximum contract value will be £[REDACTED] excluding VAT with the option to extend by up to 20% of the original contract value. The maximum contract value is £[REDACTED] excluding VAT. As this is an agile contract, spend will be monitored closely as part of the contract management process.
eRDM ref	CASE/361756

### 1. Purpose

1.1 The purpose of this report is to provide a summary of the procurement process undertaken to procure provision of Low Income Benefits Agile Service Design for the Social Security Directorate (SSD) within Scottish Government (SG), and award a contract to IBM UK Ltd at a maximum price value of £[REDACTED] excluding VAT for the first 2 years with the option to extend by up to 20% of the original contract value. The maximum contract value will be £[REDACTED] excluding VAT if the full extension is used.

1.2 The outcome of the tendering process and the reasons for the proposed contract award have been discussed and agreed with the client representative.

1.3 This report confirms that the embedded Procurement Strategy has been adhered to.



Low Income Benefits - 03 - Strategy - Build - v 0.13 FINAL - 04 July 2017.obr

## **2. Background to Tender and Market Analysis**

2.1 The Smith Commission proposed the devolution of significant welfare powers to the Scottish Parliament. Many of these powers are set out in the new Scotland Act 2016. Once fully enacted, social security benefits in excess of £2.7bn will be transferred from the UK Parliament, including powers to create Scottish benefits for those of working age. This will allow SG to establish many elements of a Scottish social security system.

2.2 SSD within SG is charged with taking forward the Scotland Act 2016 powers on devolved benefits. The Social Security Programme has been established to provide the governance and structure for delivering the required capabilities.

2.3 The Low Income Benefits Project aims to design, develop and implement processes and systems required to administer Best Start Grant, Funeral Expense Assistance, Job Grant, Winter Fuel Payments and Cold Weather Payments. Winter Fuel Payments and Cold Weather Payments are out of scope of this engagement. This tender covers the provision of Discovery, Alpha and Beta implementations for Low Income Benefits being devolved to Scotland. The scope of this contract is to assist in the delivery of three Low Income Benefits consisting of two defined benefits (BSG and FEA) and a third, to be defined, type of assistance and an option for a fourth further assistance to an initial launch of a full end-to-end service from initial application, to gathering of and assessment of evidence, to award decision and finally payment. The Supplier will collaborate to design and deliver the required solutions through to go live and will provide support.

2.4 For the benefits to be delivered the following will be required:

- Best Start Grant – Alpha, Beta;
- Funeral Expense Assistance – Discovery, Alpha, Beta – building on capabilities delivered for Best Start Grant;
- A third assistance with a similar service design pattern such as Job Grant – Discovery, Alpha, Beta – again building on capabilities already delivered;
- Option for a fourth assistance with a similar service design pattern - Discovery, Alpha, Beta – again building on capabilities already delivered.

## **3. Supplier Engagement**

3.1 The Crown Commercial Services Digital and Outcomes Specialists 2 (DOS2) framework was identified as being the preferred route to market for this contract due

to the number and range of suppliers. There are 1586 suppliers registered with the framework, 1051 of these will consider providing a service in Scotland, 483 of these provide the required disciplines:

- Service delivery
- Software Development
- Support and Operations
- User Experience and Design
- User research

3.2 The following suppliers who are on the DOS2 framework had also been identified as potential bidders from previous tender opportunities :-

3.3 Due to the wide reach of the DOS2 framework further market analysis was not undertaken.

3.4 SG subsequently proceeded with a procurement exercise and issued a notice to the DOS2 framework Digital Marketplace, link below, on Tuesday 4 July 2017 to advise suppliers of the requirement.

<https://www.digitalmarketplace.service.gov.uk/digital-outcomes-and-specialists/opportunities/4591>

#### **4. Risk Management**

4.1 The table below shows the risks identified within the Procurement Strategy and how they were addressed during the procurement process. The measures taken have been sufficient to mitigate the risks to date.

RISK	MITIGATING ACTIONS	OUTCOME
Cyber security not addressed sufficiently	Include schedule on cyber security from Chief Digital Officer – see Annex C.	All points on the schedule were appropriately addressed.

RISK	MITIGATING ACTIONS	OUTCOME
If the contract is needed for more than 2 years there is only the opportunity to extend by up to 6 months.	Closely monitor contract and be prepared to put another arrangement in place without a contract break. Start procurement at least 6 months before the end of the contract.	Management arrangements contained within the Invitation to Tender will be discussed with the supplier and closely monitored throughout the contract.
Large number of bids	Essential criteria will clearly outline requirements. A 2 stage approach will be taken with up to 6 suppliers taken through to the second stage.	The 2 stage process enabled a manageable process.
If the specification is not sufficiently detailed there is a risk that the appointed supplier can increase prices and the contract will be difficult to manage.	Revise specification every 3 months	Revision of the Statement of Works is written into the Management Arrangements and will be closely monitored.
Timescales Slip	Flexibility within teams to provide cover to deal with additional responses and evaluation.	Timescales have been met, to date.
Changes during delivery	Regular review and revision of Statement of Requirements and communication with the MPIP Team to vary contract or commence new procedure	This will be managed through the contract management process by the Customer with support from MPIP Team.

RISK	MITIGATING ACTIONS	OUTCOME
Loss of knowledge and data during or at the end of the contract	Escrow terms for data, on-going, regular transfer of knowledge and data, clear exit plan, detailed contract management arrangements	These elements all form part of the contract and will be monitored as part of the contract management process by the Customer with support from MPIP Team.
Some of the evaluation panel may not have been involved in the procurement process before or be aware of their roles and responsibilities	Provide additional training on roles and responsibilities and evaluation	This was provided by the MPIP Team and evaluation by the panel was detailed and thorough.
Prices could escalate for unforeseen activities if they are not controlled	Have a fixed price element for the core delivery of the contract and a variable cost that is closely monitored.	A fixed price rate card will apply for the duration of the contract to be utilised within a Total Maximum Price . Deliverables and milestones within the Statement of Works will be closely monitored and are linked to payment.
If the contract is fixed price only then payment may be insufficient to cover unforeseen/ additional activities and Contractor service levels may not be sustainable.	Have a variable element for any unforeseen/ additional activities that is closely monitored.	The contract allows for variable elements with a contract change process described within the management arrangements.

## 5. Current Contract Status & Spend Analysis

5.1 This is a new requirement, no existing arrangements are currently in place.

## 6. Office of the Chief Information Officer (OCIO) ICT Assurance

6.1 The requirement was subject to a pre-procurement gate as part of the OCIO ICT Assurance Framework. The assessment was completed on 21 June 2017. The checks carried out are detailed in the attached document, below.



6.2 There were 7 recommendations made following the assessment, detailed in the document below. Further detail on how these were addressed is provided at Annex 1.



## 7. Procurement Process

7.1 A competitive tender exercise was undertaken utilising the CCS DOS2 Framework. This is a two stage process.

7.2 There were 14 completed applications in response to the Stage 1 notice.

7.3 Following Stage 1 evaluation, 5 suppliers were invited to tender with a tender return date of 12 September 2017.

7.4 A Tenderer's Briefing Session was held on 28 August 2017 with representation from all of 5 of the suppliers. A presentation was provided, followed by a Q&A session. Questions were submitted on paper at the end of the presentation. There were 42 questions in total from suppliers during the session with a further 38 questions received through the PCS portal before the closing date for questions.

7.5 Due to the number of questions received and a request to extend the deadline for submissions, the deadline was extended by a week to 19 August 2017

7.6 Three suppliers withdrew from the process following the tenderer's briefing.

- BJSS withdrew despite the additional time provided by extending the deadline, providing the following reason: [REDACTED] mean that we would be unable to provide [REDACTED]."

Deloitte withdrew and provided the following overarching reason: "we couldn't meet your [REDACTED] given the context and constraints. I appreciate you said this is a [REDACTED] [REDACTED] [REDACTED] " In addition to this [REDACTED]

comment Deloitte provided feedback on the Scope, Leveraged Delivery Model, User Volumes/Liscenses and the Q&A process.

- Kainos Software provided the following reason: "We have considered all the procurement documentation, combined with the Supplier Day briefing information and recent Q&A updates, and reached this conclusion with regret. We believe given the [REDACTED], and taking account of the [REDACTED] we would be unable to provide a [REDACTED]."

## **8. Tender Responses**

8.1 There were 2 tender responses received on 19 September 2017 at 12:00 via PCS from the following organisations:

- IBM UK LTD
- PA Consulting

8.2 Both of the tenderers were large companies, with one being registered in Scotland.

Count	Region	Employee Range	Percentage of total
1	Edinburgh, City of	Large (over 250 employees)	50.00%
1	other UK - England	Large (over 250 employees)	50.00%

## **9. Tender Analysis**

9.1 The evaluation criteria detailed in the ITT were:

Technical Requirements:	65%
Cultural Fit	5%
Commercial (Price):	30%

Cultural fit criteria are a requirement of the DOS2 Framework.

## 10. Technical Evaluation

10.1 The evaluation team for the ITT stage consisted of the following individuals, representing Scottish Government:

NAME	ROLE, DIRECTORATE	Area of Evaluation
Lisa Baron-Broadhurst	Programme Director, Social Security	Technical
Andy McClintock	Chief Digital Officer, Social Security	Technical
[REDACTED]	Delivery Manager - Low Income Benefits, Social Security	Technical
[REDACTED]	Technical Director, Digital	Technical
[REDACTED]	Transformation Manager, Digital	Technical
[REDACTED]	More Powers Implementation Procurement Team, Scottish Procurement & Commercial	Commercial

10.2 Copies of the Technical & Cultural Fit tender submissions as received on PCS Quick Quote were made available via eRDM (Protected file Case 381230) to the tender evaluation panel (excluding commercial content) for initial evaluation.



CSGPD\_More Powers Implementation Procurement Team\_Social Security\_Low Income Benefits Evaluation\_2017-2022#2.obr

10.3 The members of the evaluation team conducted individual evaluations prior to the evaluation panel convening on 28 September 2017.

10.4 The evaluation team considered all tender submissions and following an evaluation of the Technical criteria and Cultural Fit criteria, tenders were point scored, based upon the scoring criteria (0 – 4). The More Powers Implementation Procurement Team then assessed the Commercial bids.

## 11. Technical & Cultural Fit Evaluation Scores

11.1 Details of the evaluation team's initial evaluation scores and their final evaluation scores, are detailed as follows. The document shows Pre Moderation Meeting Comments/ Scores, Post Moderation Meeting Comments /Scores and Moderated Comments/Scores.



Low Income Benefits - 07 - Evaluation - Consolidated Scoring Pre & Post Mod.obr

10



## 12. Minimum Threshold Questions

12.1 The ITT stated "Where a Supplier scores below 2 'Acceptable' for the questions marked with an asterisk (\*) their response shall not be taken forward to the commercial element of the competition. Their bid shall be set aside and will take no further part in the competition." Questions 1, 2, 3, 5, and 6 of the technical questions and Questions 1 and 3 of the cultural fit questions of the evaluation were marked with an asterisk (\*)

12.2 PA Consulting did not meet the minimum score of 2 for one of the technical questions within that required this (Q2). Their response was therefore not taken forward to the price evaluation.

Q2: Details of the team – score [REDACTED]

12.3 Robust comments from the evaluation panel support the score:

"The proposal highlights [REDACTED] to be brought in at various stages of project, however, there is a lack of evidence as [REDACTED] utilised, including ensuring that they would be [REDACTED]"

"Appears light on [REDACTED]"

"I would have expected to see [REDACTED] The [REDACTED] also has [REDACTED] remit and it would be far preferable to have these [REDACTED]"

12.4 IBM UK Ltd was the only supplier taken forward to the commercial element of the evaluation.

### 13. Commercial Evaluation

13.1 The Commercial elements carry an overall weighting of 30% which is broken down into the following sub criteria:

<b>PRICE: 30%</b>			<b>Max Section Score</b>
		<b>Max Sub Criteria Score</b>	
<b>Section 1: Rate Card</b>			<b>40%</b>
1.	Lead Consultant	5.0%	-
2.	Scrum Master	9.5%	-
3.	User Research	9.5%	-
4.	Business Analyst	9.5%	-
5.	Technical Architect	9.5%	-
6.	UX Designer	9.5%	-
7.	Content Designer	9.5%	-
8.	Software Developer	9.5%	-
9.	Test Analyst	9.5%	-
10.	Data Architect	9.5%	-
11.	Security Lead	9.5%	-
<b>Section 2: Indicative Total Price</b>			<b>50%</b>
12.	Maximum Total Price	100 %	-
<b>Section 3: Case Study</b>			<b>10%</b>
13.	Case Study	100%	-

13.2 Upon review of the tendered submissions received, the offers were as follows:



Low Income Benefits - 07 - Evaluation - Price Evaluat

13.3 Based upon the ratio of 30% for price the total commercial scores were rebased to 30%.

#### 14. Price/ Technical & Cultural Fit Ratio

14.1 Following the Technical & Cultural Fit and Price evaluations the final Price/Technical & Cultural Fit Scores are summarised below, supported by the full spreadsheet. The most economically advantageous tender regarding best technical/cultural fit : price ratio was ranked 1 in the evaluation.

Tenderer	Price 30%	Technical 65%	Cultural Fit 5%	Overall Score	Rank
IBM UK LTD	30.00	42.74	3.35	76.09	1
PA Consulting					2



Low Income Benefits - 07 - Evaluation - 2nd Stage.obr

14.2 The table below shows what the evaluation outcome would have been if PA Consulting's bid had not been set aside for dropping below a score of 2 for Q2 and had been taken through to the commercial evaluation. It is clear that this scenario would not have changed the 'Rank'.

Tenderer	Price 30%	Technical 65%	Cultural Fit 5%	Overall Score	Rank
IBM UK LTD	30.00	42.74	3.35	76.09	1
PA Consulting					2

#### 15. Pricing

The price of each Statement of Work (SOW) will be negotiated by considering the disciplines, numbers of each discipline and time required to meet the requirements of each SOW, using the Rate Card quoted by the supplier within their tender submission. The said rates are Fixed Price Maximum Day Rates and may be negotiated down for each SOW and the management arrangements support an agile and collaborative approach to resourcing and delivery. Prior to agreeing the price for each SOW both the Customer and Supplier will discuss and understand the SOW's deliverables and fixed price in correlation to the Contract's overall deliverables and agreed Total Maximum Price. The intention of this element of the process to identify, early, any risk of overspend and to mitigate accordingly. The licensing and other prices listed within the pricing schedule (in table 4 to 11, attached below) can also be negotiated.



IBM\_Low-Income  
Benefits\_ITT\_Part 3\_

#### 16. Payment

The following arrangements for payment have been described within the ITT and will apply throughout the contract:

1. As part of the SOW process set out within this Schedule the Buyer and the Supplier shall agree Payment to accompany each SOW. Payment shall be based on the completion of agreed Milestones. The Buyer shall pay the Supplier in arrears following demonstration by the Supplier and verification by the Buyer that a Milestone has been achieved.
2. With exception of the final Milestone payment the Buyer shall pay the Supplier up to [REDACTED] of the agreed fixed price for the SOW spread out across the remaining Milestones. The % spread shall be proportionate to the scope of each Milestone.
3. The final Milestone shall be the completion of all activities described within the SOW. The final Milestone payment shall be no less than [REDACTED] of the agreed fixed price for the SOW.
4. The Buyer and the Supplier shall agree the fixed price for each SOW. The fixed price shall be calculated using the agreed fixed price elements contained within Schedule 2, Part 3 Pricing Schedule only.
5. Should the Supplier fail to achieve a Milestone by the agreed date the Buyer reserves the right to withhold payment for that Milestone until it has been achieved subject to demonstration by the Supplier and verification by the Buyer.

## **17. Terms and Conditions**

17.1 The form of tender was signed by IBM. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## **18. Financial Evaluation**

18.1 Accounting Services completed their analysis on XX October 2017 and advised that IBM UK Ltd was financially sound. See file enclosed.

Attachment

## **19. Clarification**

19.1 Clarification was sought from IBM on several points. The correspondence regarding these clarifications is attached below. The clarification responses were all confirmed as acceptable by the panel members.

Low Income Benefits - 07 - Evaluation - Clarification1 - IBM.obr

Low Income Benefits - 07 - Evaluation - Clarification2 - IBM.obr

19.2 There were no points of clarification required from PA Consulting.

## **20. Contract Management Plan**

20.1 The contract will be managed by [REDACTED] (SSD's Supplier Relationship Officer).

20.2 The SG Contract Manager shall have overall responsibility for ensuring that all other interested parties/stakeholders are kept up to date with proceedings following contract award and throughout the subsequent system mobilisation.

20.3 MPIP shall support the Customer during the period of contract, specifically in relation to the lead-in stage, development of robust contract documentation following contract award, attendance at contract review meetings and procurement advice in relation to any potential changes to the contract.

20.4 An inception meeting is planned for Thursday 26 October 2017.

20.5 Contract management will be in accordance with Schedule 12 of the contract (see Annex 2 at the end of this document).

## **21. Savings / Benefits**

21.1 Due to the agile nature of this contract and the incomplete detail of what is required during the contract, it has not been possible to identify potential savings.

## **22. Community Benefits /Sustainability**

22.1 The tenderer proposed 2 types of quantifiable community benefits during the period of contract.

[REDACTED]

[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]

[REDACTED]

22.2 Sustainability is included within the management arrangements for the contract. The Supplier shall fully comply with the Buyer's environmental policies and practices. See Annex 2 Travel and Environmental Sustainability (paragraphs 71 to 80, below).

### 23. Fair Work

[REDACTED]

[REDACTED]

[REDACTED]

### 24. Recommendation

24.1 IBM UK Ltd is considered to have submitted the most economically advantageous tender (MEAT), using a combination of the Technical, Cultural Fit and Commercial (Price) scores and it is my recommendation that the contract is awarded to the stated organisation, for the period 30 October 2017 to 29 October 2019 with the option to extend by up to 6 months to 29 April 2020.

## 24.2 Standstill Period and Contract Award

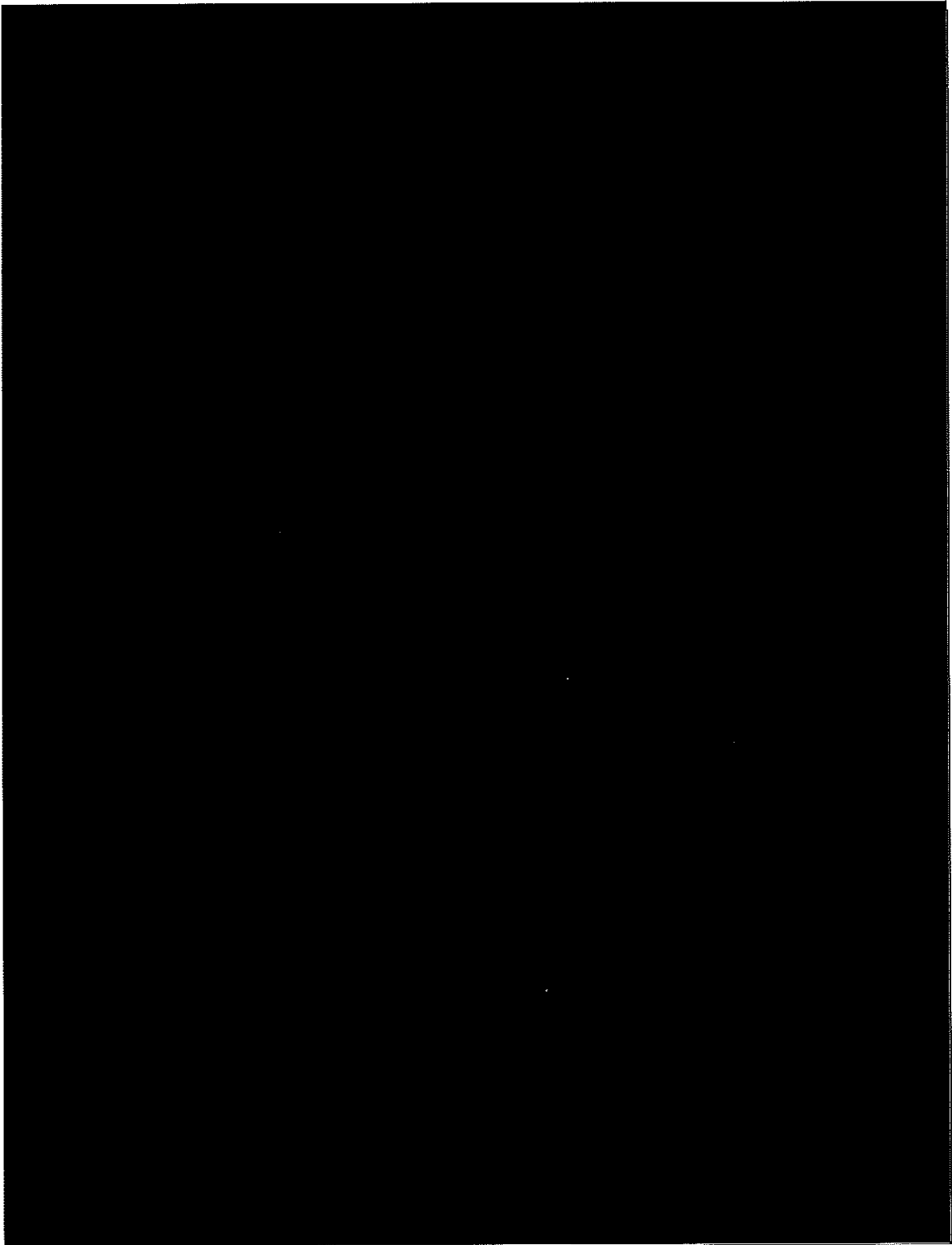
24.3 A standstill period is not required for this contract as it is a call off from the DOS2 framework. On approval of this Contract Award Recommendation Report, unsuccessful letters shall be issued to the unsuccessful tenderer and a contract award letter will be issued to IBM UK Ltd informing them to proceed.

**[REDACTED]**  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team

### Approved by:

<b>[REDACTED]</b> <b>Portfolio Manager</b> More Powers Implementation Team Scottish Procurement and Commercial Directorate	<b>Lisa Baron-Broadhurst</b> <b>Programme Director,</b> <b>Social Security</b> Social Security Directorate	<b>Committee Approval</b> <b>Confirmation</b>

## Annex 1 – OCIO Recommendations





## Annex 2

### SCHEDULE 12 – Invitation to Tender for Low Income Benefits Agile Service Design

[REDACTED]

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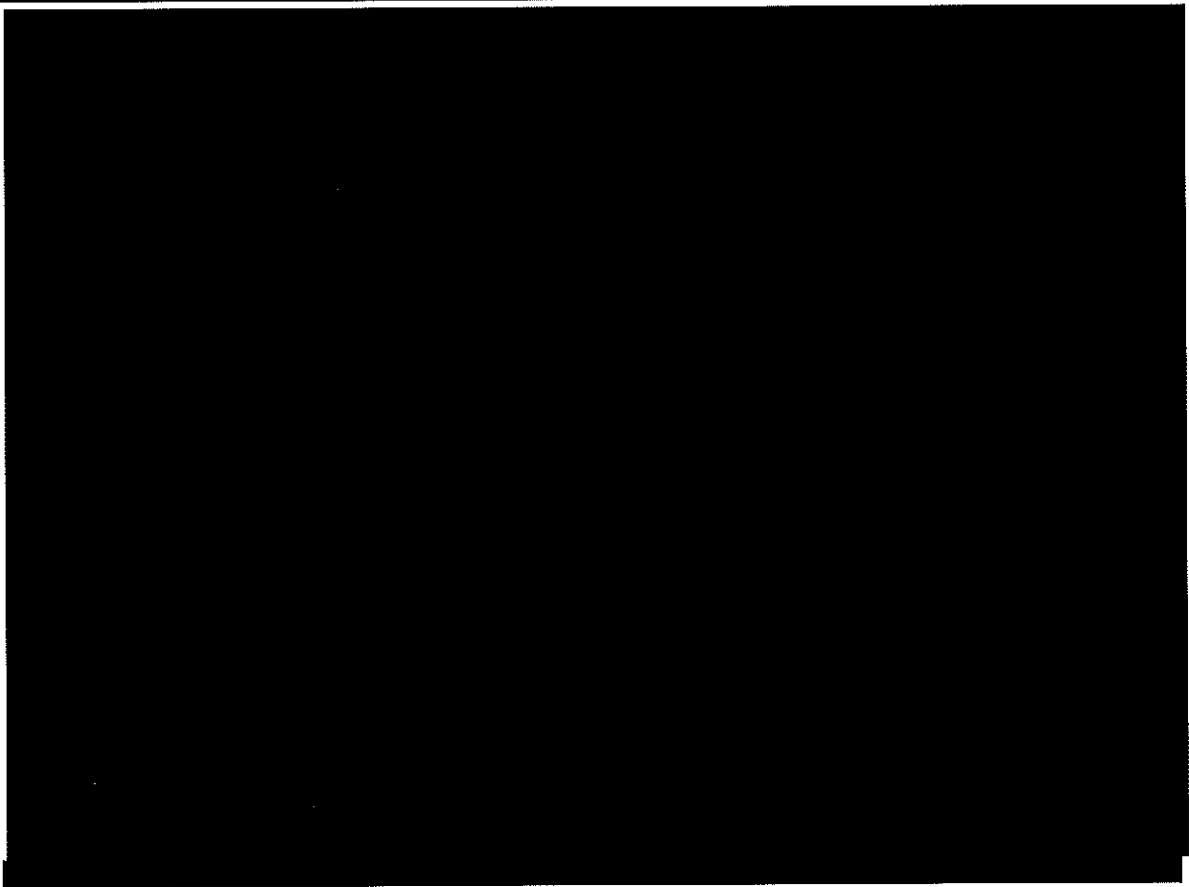
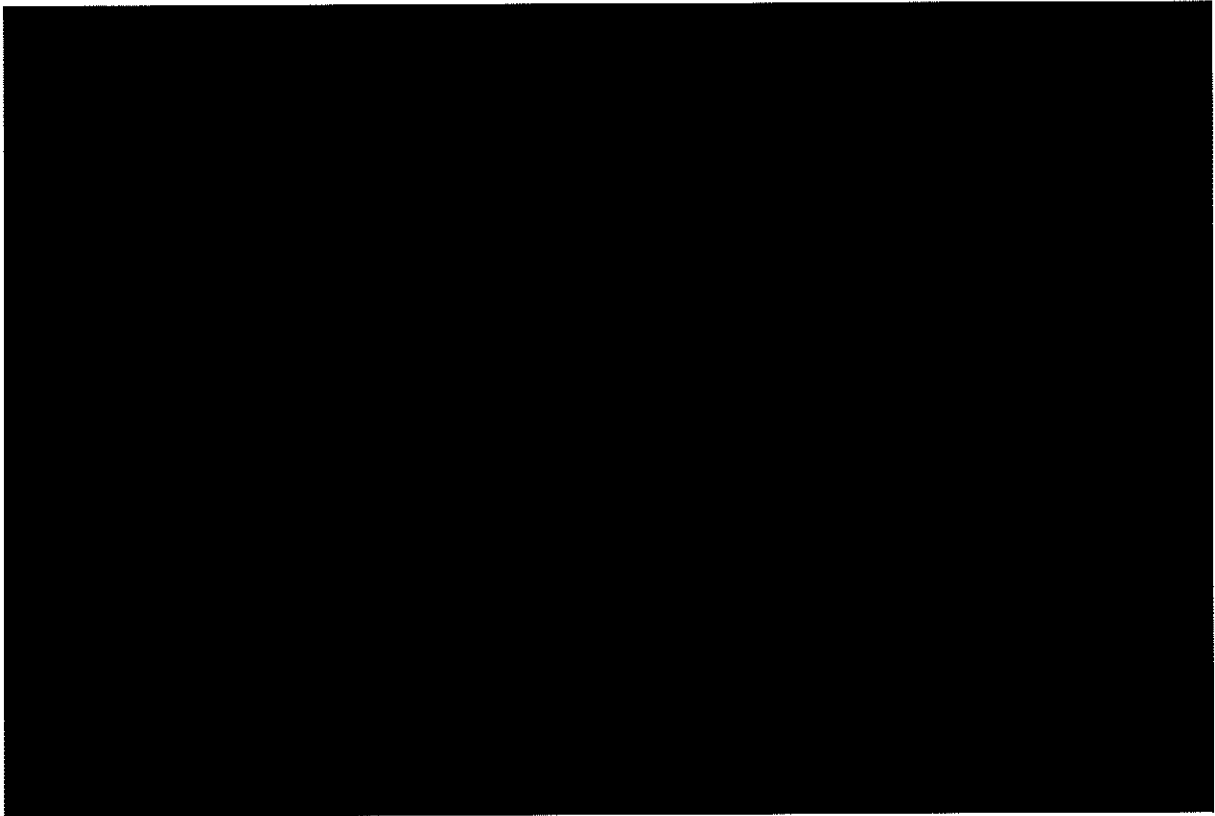
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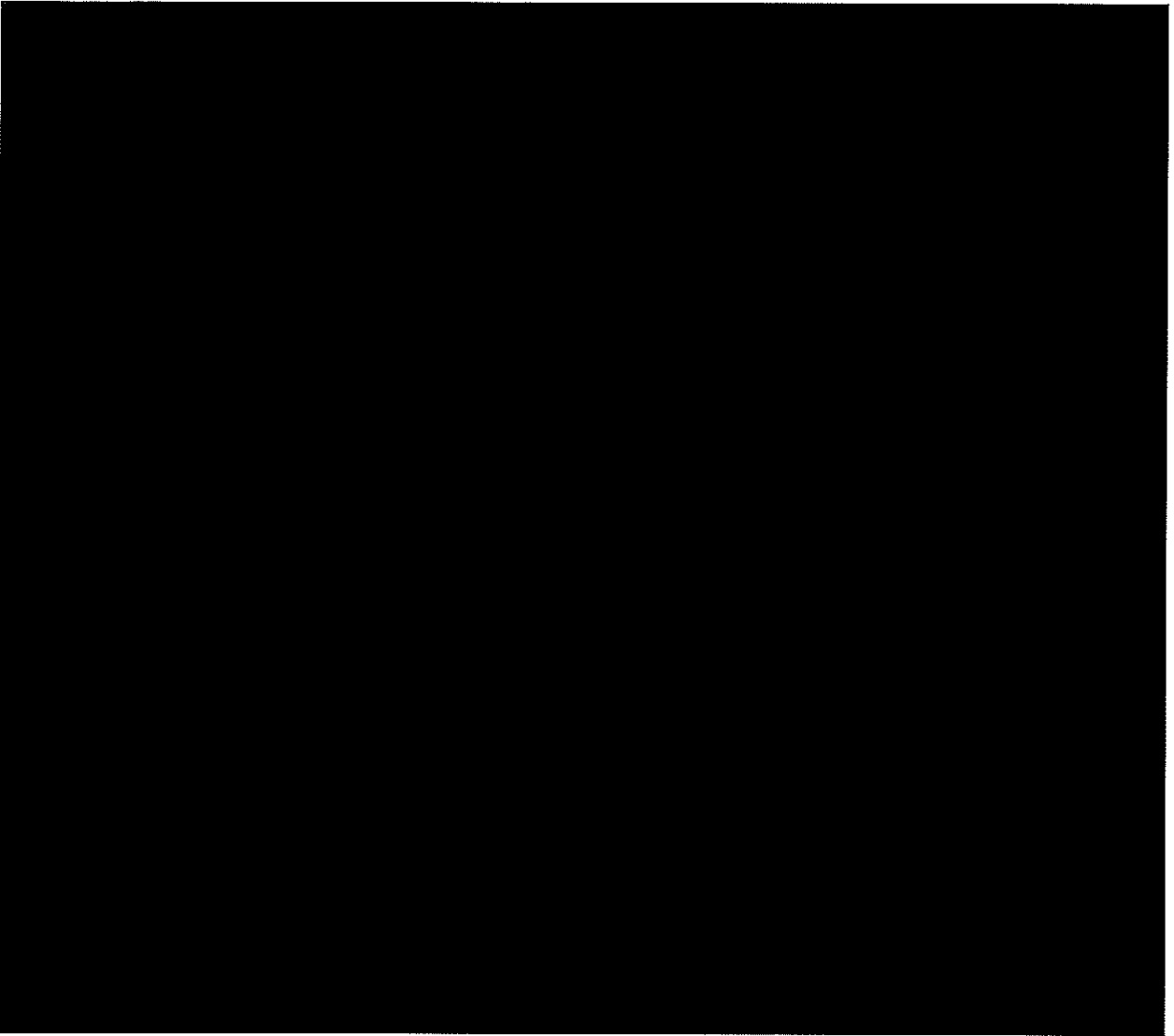
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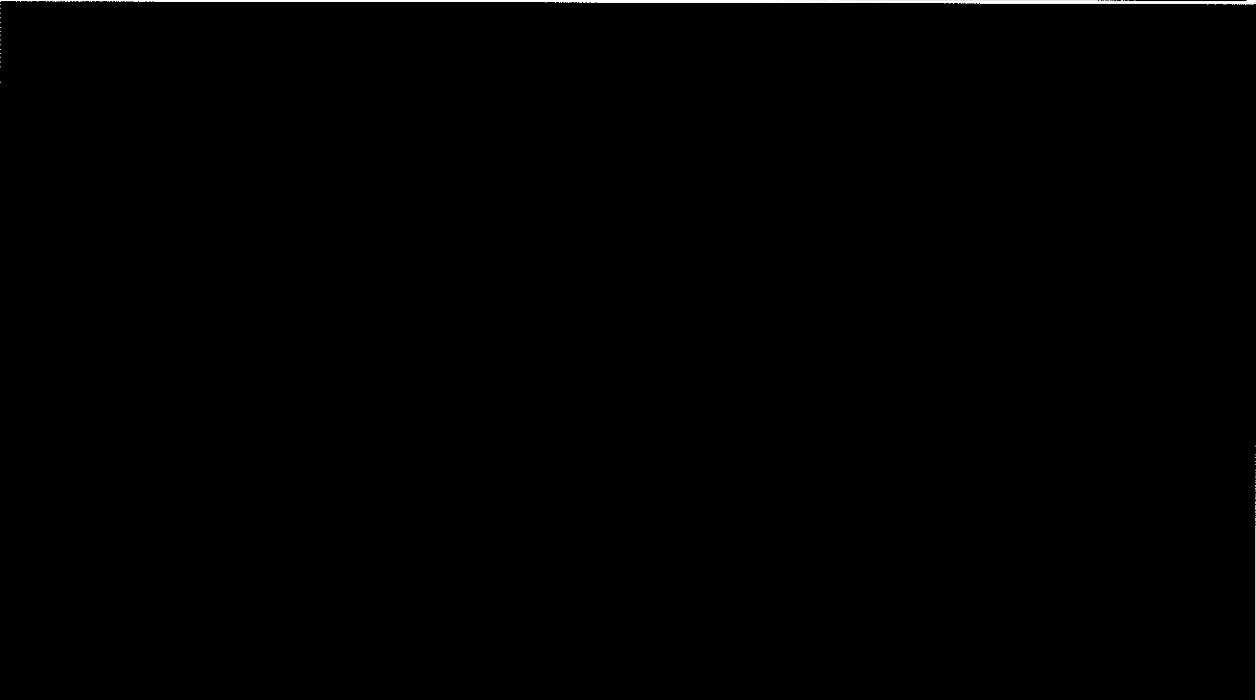
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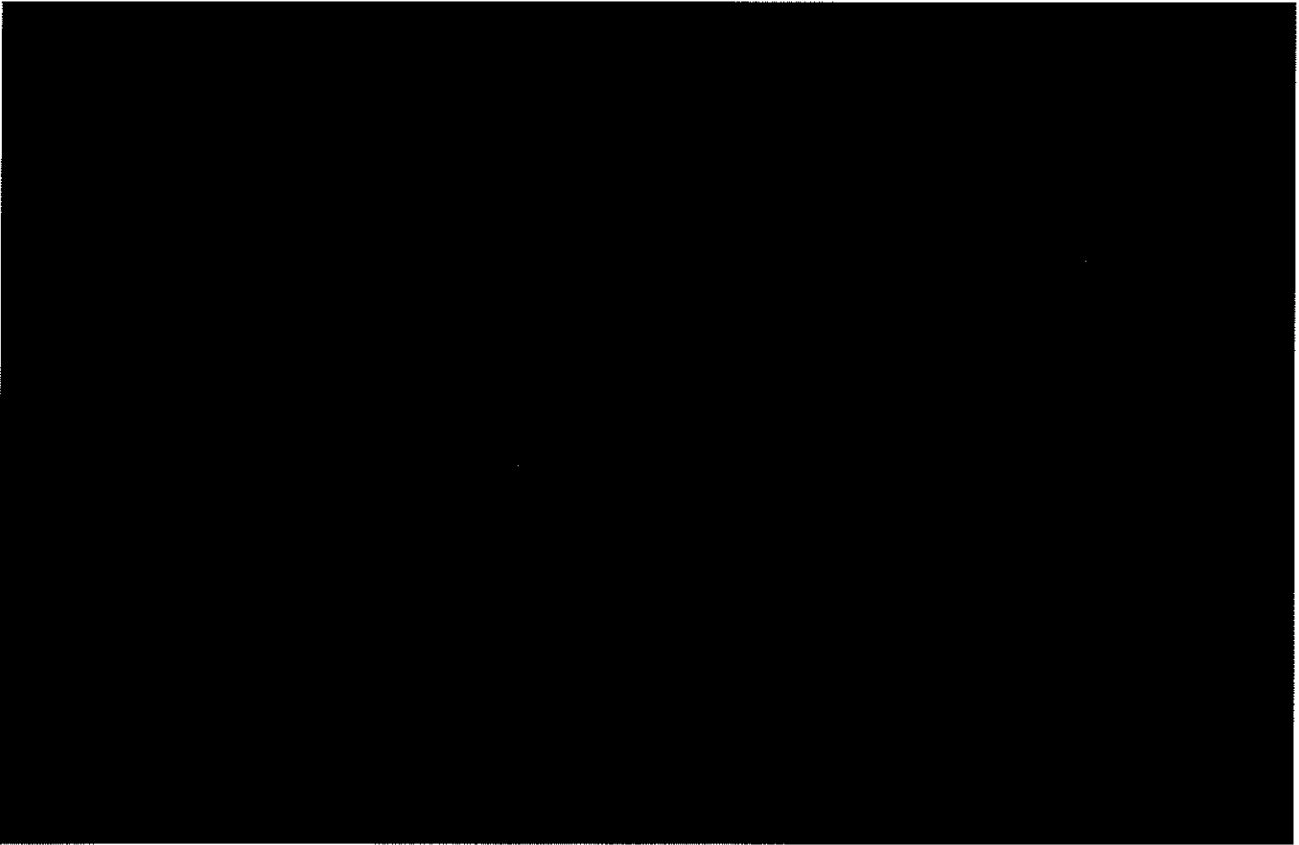
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[REDACTED]

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**From:** [REDACTED]  
**Sent:** 03 October 2017 10:23  
**To:** Baron-Broadhurst L (Lisa)  
**Cc:** McClintock A (Andy); [REDACTED]  
**Subject:** Official Sensitive Commercial - Low Income Benefits - CARR for Approval  
**Attachments:** Low Income Benefits - 08 - Award - CARR.doc; Low Income Benefits - 03 - Strategic - Build - v 0.13 FINAL - 04 July 2017.docx; Low Income Benefits - 07 - Evaluation Consolidated Scoring Pre & Post Mod.xlsx; Low Income Benefits - 07 - Evaluation Price Evaluation.xlsx; Low Income Benefits - 07 - Evaluation - 2nd Stage.xlsm; RE: FW: Low Income Benefits - Clarification; FW: Low Income Benefits - Clarification ;

Hi Lisa

Please see attached Contract Award Recommendation Report and attachments for the Low Income Benefits Agile Service Design procurement.

The Report provides details of the procurement process and confirms the outcome of IBM UK Ltd as the winning bidder. This is subject to financial analysis and [REDACTED]. Clarification has been requested and is due to be confirmed tomorrow morning.

- [REDACTED]
- [REDACTED]
- [REDACTED]

Could you please arrange for approval, subject to the above clarifications and confirm this by reply, once approved.

If you have any questions please don't hesitate to contact me.

Kind regards

[REDACTED]

[REDACTED] MCIPS  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team  
Collaborative & Scottish Government Procurement Division  
The Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
Tel: 0141 [REDACTED]  
[REDACTED]@gov.scot  
[www.scotland.gov.uk/procurement](http://www.scotland.gov.uk/procurement)

[REDACTED]

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**From:** [REDACTED]  
**Sent:** 06 October 2017 14:54  
**To:** 'UK, Public Sector Bid Team (UK - London)'  
**Subject:** RE: Low Income Benefits Agile Service Design - Stage 2

Hi

Please see feedback below as requested.

I hope this is useful for future submissions.

Kind regards

[REDACTED]

Tel: 0141 [REDACTED]  
[REDACTED]@gov.scot

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**From:** UK, Public Sector Bid Team (UK - London) [mailto:publicsectorbidteam@deloitte.co.uk]  
**Sent:** 27 September 2017 14:40  
**To:** [REDACTED]  
**Subject:** RE: Low Income Benefits Agile Service Design - Stage 2

Hi [REDACTED]

We submitted an expression of interest for this requirement back in July. In the interest of transparency and good practice are you able to provide us with our scoring information as below.

Kind Regards,









**Public Sector Bid Team**

Deloitte LLP

Stonecutter Court, London, EC4A 4TR

Direct phone: [REDACTED]

[publicsectorbidteam@deloitte.co.uk](mailto:publicsectorbidteam@deloitte.co.uk) | [www.deloitte.co.uk](http://www.deloitte.co.uk)

From: [REDACTED]@gov.scot [mailto:[REDACTED]@gov.scot]

Sent: 11 August 2017 13:47

To: UK, Public Sector Bid Team (UK - London) <[publicsectorbidteam@deloitte.co.uk](mailto:publicsectorbidteam@deloitte.co.uk)>

Subject: RE: Low Income Benefits Agile Service Design - Stage 2

Hi

I am not able to confirm a date yet for the documents.

As with the project for Disability Benefits, we will be happy to provide this feedback but this information would be provided on completion of the tender process. I will take a note of your request and contact you with this information at this stage.

Kind regards

[REDACTED]  
[REDACTED]  
Tel: [REDACTED]  
[REDACTED]@gov.scot

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**From:** UK, Public Sector Bid Team (UK - London) [<mailto:publicsectorbidteam@deloitte.co.uk>]  
**Sent:** 11 August 2017 12:53  
**To:** [REDACTED]  
**Subject:** RE: Low Income Benefits Agile Service Design - Stage 2

Hi [REDACTED]

We are delighted to be invited to the next stage thank you. We have an account on this portal with the below registration details:

Username: [publicsectorbidteam@deloitte.co.uk](mailto:publicsectorbidteam@deloitte.co.uk)  
Registered contact: [REDACTED]

Do you know when we can expect to see the documents?

Also may we also please request our scores against each of the criteria in the expression of interest notice and any other feedback you can provide on our submission? This would be useful for us with the next stage of the process.

Kind Regards,

**Public Sector Bid Team**  
Deloitte LLP  
Stonecutter Court, London, EC4A 4TR  
Direct phone: [REDACTED]  
[publicsectorbidteam@deloitte.co.uk](mailto:publicsectorbidteam@deloitte.co.uk) | [www.deloitte.co.uk](http://www.deloitte.co.uk)

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**From:** [REDACTED]@gov.scot [[mailto:\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)]  
**Sent:** 11 August 2017 12:32  
**Subject:** Low Income Benefits Agile Service Design - Stage 2

Dear Sir/Madam

Thank you for your recent submission for the Low Income Benefits Agile Service Design project.

We are intending to invite you to tender for the 2<sup>nd</sup> stage of the procurement through the Public Contracts Scotland web portal (<https://www.publiccontractsscotland.gov.uk>).




Prior to sending the Invitation to Tender a Non-Disclosure Agreement is required to be signed and returned due to the sensitive nature of the documentation. Please find the form attached for completing with your company details.

Could I please also ask that you register with the Public Contracts Scotland web portal if you are not already registered and that you provide the email address that you have registered with, by reply.

It would be appreciated if you could complete registration and return the non-disclosure form no later than noon on Monday 14 August 2017. If you have any problems please call me on the number below.

All information regarding the tender process and documentation must remain confidential throughout the process.

Kind regards

  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team  
Collaborative & Scottish Government Procurement Division  
The Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
Tel:   
@gov.scot  
[www.scotland.gov.uk/procurement](http://www.scotland.gov.uk/procurement)

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Tha am post-d seo (agus faidhle neo ceanglan còmhla ris) dhan neach neo luchd-ainmichte a-mhàin. Chan eil e ceadaichte a chleachdadh ann an dòigh sam bith, a' toirt a-steach còraichean, foillseachadh neo sgaoileadh, gun chead. Ma 's e is gun d'fhuair sibh seo le gun fhiosd', bu choir cur às dhan phost-d agus lethbhreac sam bith air an t-siostam agaibh, leig fios chun neach a sgaoil am post-d gun dàil.

Dh'fhaodadh gum bi teachdaireachd sam bith bho Riaghaltas na h-Alba air a chlàradh neo air a sgrùdadh airson dearbhadh gu bheil an siostam ag obair gu h-èifeachdach neo airson adhbhar laghail eile. Dh'fhaodadh nach eil beachdan anns a' phost-d seo co-ionann ri beachdan Riaghaltas na h-Alba.

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## CONTRACT AWARD RECOMMENDATION REPORT (CARR)

**From:** [REDACTED] Senior Portfolio Specialist, Scottish Government  
More Powers Implementation Procurement Team (MPIP)

**To:** Lisa Baron-Broadhurst, Programme Director, Social Security,  
Social Security Directorate, Scottish Government

**Date:** 2 October 2017

### Executive Summary

Title of Purchase	Low Income Benefits Agile Service Design
Procurement Portfolio Manager (Lead)	[REDACTED]
Senior Portfolio Specialist	[REDACTED]
Customer	Lisa Baron-Broadhurst, Programme Director, Social Security, Social Security Directorate, Scottish Government
Recommendation	Contract is awarded to IBM UK Ltd
Contract Duration	30 October 2017 to 29 October 2019 with the option to extend by up to 6 months to 29 April 2020.
Original Estimated Contract Value within the ITT	£8,000,000 to £12,000,000 including VAT for the full term of the contract including any extension period. (£6,666,666.67 to £10,000,000 excluding VAT)

### 1. Purpose

1.1 The purpose of this report is to provide a summary of the procurement process undertaken to procure provision of Low Income Benefits Agile Service Design for the Social Security Directorate (SSD) within Scottish Government (SG). and award a contract to IBM UK Ltd

1.2 The outcome of the tendering process and the reasons for the proposed contract award have been discussed and agreed with the client representative.

1.3 This report confirms that the embedded Procurement Strategy has been adhered to.



Low Income Benefits - 03 - Strategy - Build - v 0.13 FINAL - 04 July 2017.obr

## **2. Background to Tender and Market Analysis**

2.1 The Smith Commission proposed the devolution of significant welfare powers to the Scottish Parliament. Many of these powers are set out in the new Scotland Act 2016. Once fully enacted, social security benefits in excess of £2.7bn will be transferred from the UK Parliament, including powers to create Scottish benefits for those of working age. This will allow SG to establish many elements of a Scottish social security system.

2.2 SSD within SG is charged with taking forward the Scotland Act 2016 powers on devolved benefits. The Social Security Programme has been established to provide the governance and structure for delivering the required capabilities.

2.3 The Low Income Benefits Project aims to design, develop and implement processes and systems required to administer Best Start Grant, Funeral Expense Assistance, Job Grant, Winter Fuel Payments and Cold Weather Payments. Winter Fuel Payments and Cold Weather Payments are out of scope of this engagement. This tender covers the provision of Discovery, Alpha and Beta implementations for Low Income Benefits being devolved to Scotland. The scope of this contract is to assist in the delivery of three Low Income Benefits consisting of two defined benefits (BSG and FEA) and a third, to be defined, type of assistance and an option for a fourth further assistance to an initial launch of a full end-to-end service from initial application, to gathering of and assessment of evidence, to award decision and finally payment. The Supplier will collaborate to design and deliver the required solutions through to go live and will provide support.

2.4 For the benefits to be delivered the following will be required:

- Best Start Grant – Alpha, Beta;
- Funeral Expense Assistance – Discovery, Alpha, Beta – building on capabilities delivered for Best Start Grant;
- A third assistance with a similar service design pattern such as Job Grant – Discovery, Alpha, Beta – again building on capabilities already delivered;
- Option for a fourth assistance with a similar service design pattern - Discovery, Alpha, Beta – again building on capabilities already delivered.

## **3. Supplier Engagement**

3.1 The Crown Commercial Services Digital and Outcomes Specialists 2 (DOS2) framework was identified as being the preferred route to market for this contract due

to the number and range of suppliers. There are 1586 suppliers registered with the framework, 1051 of these will consider providing a service in Scotland, 483 of these provide the required disciplines:

- Service delivery
- Software Development
- Support and Operations
- User Experience and Design
- User research

3.2 The following suppliers who are on the DOS2 framework had also been identified as potential bidders from previous tender opportunities :-

3.3 Due to the wide reach of the DOS2 framework further market analysis was not undertaken.

3.4 SG subsequently proceeded with a procurement exercise and issued a notice to the DOS2 framework Digital Marketplace, link below, on Tuesday 4 July 2017 to advise suppliers of the requirement.

<https://www.digitalmarketplace.service.gov.uk/digital-outcomes-and-specialists/opportunities/4591>

#### 4. Risk Management

4.1 The table below shows the risks identified within the Procurement Strategy and how they were addressed during the procurement process. The measures taken have been sufficient to mitigate the risks to date.

RISK	MITIGATING ACTIONS	OUTCOME
Cyber security not addressed sufficiently	Include schedule on cyber security from Chief Digital Officer – see Annex C.	All points on the schedule were appropriately addressed.

RISK	MITIGATING ACTIONS	OUTCOME
If the contract is needed for more than 2 years there is only the opportunity to extend by up to 6 months.	Closely monitor contract and be prepared to put another arrangement in place without a contract break. Start procurement at least 6 months before the end of the contract.	Management arrangements contained within the Invitation to Tender will be discussed with the supplier and closely monitored throughout the contract.
Large number of bids	Essential criteria will clearly outline requirements. A 2 stage approach will be taken with up to 6 suppliers taken through to the second stage.	The 2 stage process enabled a manageable process.
If the specification is not sufficiently detailed there is a risk that the appointed supplier can increase prices and the contract will be difficult to manage.	Revise specification every 3 months	Revision of the Statement of Works is written into the Management Arrangements and will be closely monitored.
Timescales Slip	Flexibility within teams to provide cover to deal with additional responses and evaluation.	Timescales have been met, to date.
Changes during delivery	Regular review and revision of Statement of Requirements and communication with the MPIP Team to vary contract or commence new procedure	This will be managed through the contract management process by the Customer with support from MPIP Team.



RISK	MITIGATING ACTIONS	OUTCOME
Loss of knowledge and data during or at the end of the contract	Escrow terms for data, on-going, regular transfer of knowledge and data, clear exit plan, detailed contract management arrangements	These elements all form part of the contract and will be monitored as part of the contract management process by the Customer with support from MPIP Team.
Some of the evaluation panel may not have been involved in the procurement process before or be aware of their roles and responsibilities	Provide additional training on roles and responsibilities and evaluation	This was provided by the MPIP Team and evaluation by the panel was detailed and thorough.
Prices could escalate for unforeseen activities if they are not controlled	Have a fixed price element for the core delivery of the contract and a variable cost that is closely monitored.	A fixed price rate card will apply for the duration of the contract to be utilised within a Total Maximum Price . Deliverables and milestones within the Statement of Works will be closely monitored and are linked to payment.
If the contract is fixed price only then payment may be insufficient to cover unforeseen/ additional activities and Contractor service levels may not be sustainable.	Have a variable element for any unforeseen/ additional activities that is closely monitored.	The contract allows for variable elements with a contract change process described within the management arrangements.

## 5. Current Contract Status & Spend Analysis

5.1 This is a new requirement, no existing arrangements are currently in place.

## 6. Office of the Chief Information Officer (OCIO) ICT Assurance

6.1 The requirement was subject to a pre-procurement gate as part of the OCIO ICT Assurance Framework. The assessment was completed on 21 June 2017. The checks carried out are detailed in the attached document, below.



6.2 There were 7 recommendations made following the assessment, detailed in the document below. Further detail on how these were addressed is provided at Annex 1.



## 7. Procurement Process

7.1 A competitive tender exercise was undertaken utilising the CCS DOS2 Framework. This is a two stage process.

7.2 There were 14 completed applications in response to the Stage 1 notice.

7.3 Following Stage 1 evaluation, 5 suppliers were invited to tender with a tender return date of 12 September 2017.

7.4 A Tenderer's Briefing Session was held on 28 August 2017 with representation from all of 5 of the suppliers. A presentation was provided, followed by a Q&A session. Questions were submitted on paper at the end of the presentation. There were 42 questions in total from suppliers during the session with a further 38 questions received through the PCS portal before the closing date for questions.

7.5 Due to the number of questions received and a request to extend the deadline for submissions, the deadline was extended by a week to 19 August 2017

7.6 Three suppliers withdrew from the process following the tenderer's briefing.

- BJSS withdrew despite the additional time provided by extending the deadline, providing the following reason: [REDACTED] mean that we would be unable to provide [REDACTED]."

Deloitte withdrew and provided the following overarching reason: "we couldn't meet your [REDACTED] given the context and constraints. I appreciate you said this is a [REDACTED] [REDACTED] [REDACTED] " In addition to this

comment Deloitte provided feedback on the Scope, Leveraged Delivery Model, User Volumes/Liscenses and the Q&A process.

- Kainos Software provided the following reason: "We have considered all the procurement documentation, combined with the Supplier Day briefing information and recent Q&A updates, and reached this conclusion with regret. We believe given the [REDACTED], and taking account of the [REDACTED] we would be unable to provide a [REDACTED]."

## 8. Tender Responses

8.1 There were 2 tender responses received on 19 September 2017 at 12:00 via PCS from the following organisations:

- IBM UK LTD
- PA Consulting

8.2 Both of the tenderers were large companies, with one being registered in Scotland.

Count	Region	Employee Range	Percentage of total
1	Edinburgh, City of	Large (over 250 employees)	50.00%
1	other UK - England	Large (over 250 employees)	50.00%

## 9. Tender Analysis

9.1 The evaluation criteria detailed in the ITT were:

Technical Requirements:	65%
Cultural Fit	5%
Commercial (Price):	30%

Cultural fit criteria are a requirement of the DOS2 Framework.

## 10. Technical Evaluation

10.1 The evaluation team for the ITT stage consisted of the following individuals, representing Scottish Government:

NAME	ROLE, DIRECTORATE	Area of Evaluation
Lisa Baron-Broadhurst	Programme Director, Social Security	Technical
Andy McClintock	Chief Digital Officer, Social Security	Technical
[REDACTED]	Delivery Manager - Low Income Benefits, Social Security	Technical
[REDACTED]	Technical Director, Digital	Technical
[REDACTED]	Transformation Manager, Digital	Technical
[REDACTED]	More Powers Implementation Procurement Team, Scottish Procurement & Commercial	Commercial

10.2 Copies of the Technical & Cultural Fit tender submissions as received on PCS Quick Quote were made available via eRDM (Protected file Case 381230) to the tender evaluation panel (excluding commercial content) for initial evaluation.



CSGPD\_ More Powers Implementation Procurement Team\_ Social Security\_ Low Income Benefits Evaluation\_ 2017-2022#2.obr

10.3 The members of the evaluation team conducted individual evaluations prior to the evaluation panel convening on 28 September 2017.

10.4 The evaluation team considered all tender submissions and following an evaluation of the Technical criteria and Cultural Fit criteria, tenders were point scored, based upon the scoring criteria (0 – 4). The More Powers Implementation Procurement Team then assessed the Commercial bids.

## 11. Technical & Cultural Fit Evaluation Scores

11.1 Details of the evaluation team's initial evaluation scores and their final evaluation scores, are detailed as follows. The document shows Pre Moderation Meeting Comments/ Scores, Post Moderation Meeting Comments /Scores and Moderated Comments/Scores.



Low Income Benefits - 07 - Evaluation - Consolidated Scoring Pre & Post Mod.obr

## 12. Minimum Threshold Questions

12.1 The ITT stated "Where a Supplier scores below 2 'Acceptable' for **the questions marked with an asterisk (\*)** their response shall not be taken forward to the commercial element of the competition. Their bid shall be set aside and will take no further part in the competition." Questions 1, 2, 3, 5, and 6 of the technical questions and Questions 1 and 3 of the cultural fit questions of the evaluation were marked with an asterisk (\*)

12.2 PA Consulting did not meet the minimum score of 2 for one of the technical questions within that required this (Q2). Their response was therefore not taken forward to the price evaluation.

Q2: Details of the team – score [REDACTED]

12.3 Robust comments from the evaluation panel support the score:

"The proposal highlights [REDACTED] to be brought in at various stages of project, however, there is a lack of evidence as [REDACTED] utilised, including ensuring that they would be [REDACTED]"

"Appears light on [REDACTED]"

"I would have expected to see [REDACTED] The [REDACTED] also has [REDACTED] remit and it would be far preferable to have these [REDACTED]"

12.4 IBM UK Ltd was the only supplier taken forward to the commercial element of the evaluation.

### 13. Commercial Evaluation

13.1 The Commercial elements carry an overall weighting of 30% which is broken down into the following sub criteria:

<b>PRICE: 30%</b>			<b>Max Section Score</b>
		<b>Max Sub Criteria Score</b>	
<b>Section 1: Rate Card</b>			<b>40%</b>
1.	Lead Consultant	5.0%	-
2.	Scrum Master	9.5%	-
3.	User Research	9.5%	-
4.	Business Analyst	9.5%	-
5.	Technical Architect	9.5%	-
6.	UX Designer	9.5%	-
7.	Content Designer	9.5%	-
8.	Software Developer	9.5%	-
9.	Test Analyst	9.5%	-
10.	Data Architect	9.5%	-
11.	Security Lead	9.5%	-
<b>Section 2: Indicative Total Price</b>			<b>50%</b>
12.	Maximum Total Price	100 %	-
<b>Section 3: Case Study</b>			<b>10%</b>
13.	Case Study	100%	-

13.2 Upon review of the tendered submissions received, the offers were as follows:



Low Income Benefits - 07 - Evaluation - Price Evaluat

13.3 Based upon the ratio of 30% for price the total commercial scores were rebased to 30%.

## 14. Price/ Technical & Cultural Fit Ratio

14.1 Following the Technical & Cultural Fit and Price evaluations the final Price/Technical & Cultural Fit Scores are summarised below, supported by the full spreadsheet. The most economically advantageous tender regarding best technical/cultural fit : price ratio was ranked 1 in the evaluation.

Tenderer	Price 30%	Technical 65%	Cultural Fit 5%	Overall Score	Rank
IBM UK LTD	30.00	42.74	3.35	76.09	1
PA Consulting					2



Low Income Benefits - 07 - Evaluation - 2nd Stage.obr

14.2 The table below shows what the evaluation outcome would have been if PA Consulting's bid had not been set aside for dropping below a score of 2 for Q2 and had been taken through to the commercial evaluation. It is clear that this scenario would not have changed the 'Rank'.

Tenderer	Price 30%	Technical 65%	Cultural Fit 5%	Overall Score	Rank
IBM UK LTD	30.00	42.74	3.35	76.09	1
PA Consulting					2

## 15. Pricing

The price of each Statement of Work (SOW) will be negotiated by considering the disciplines, numbers of each discipline and time required to meet the requirements of each SOW, using the Rate Card quoted by the supplier within their tender submission. The said rates are Fixed Price Maximum Day Rates and may be negotiated down for each SOW and the management arrangements support an agile and collaborative approach to resourcing and delivery. Prior to agreeing the price for each SOW both the Customer and Supplier will discuss and understand the SOW's deliverables and fixed price in correlation to the Contract's overall deliverables and agreed Total Maximum Price. The intention of this element of the process to identify, early, any risk of overspend and to mitigate accordingly. The licensing and other prices listed within the pricing schedule (in table 4 to 11, attached below) can also be negotiated.



IBM\_Low-Income  
Benefits\_ITT\_Part 3\_

## 16. Payment

The following arrangements for payment have been described within the ITT and will apply throughout the contract:

1. As part of the SOW process set out within this Schedule the Buyer and the Supplier shall agree Payment to accompany each SOW. Payment shall be based on the completion of agreed Milestones. The Buyer shall pay the Supplier in arrears following demonstration by the Supplier and verification by the Buyer that a Milestone has been achieved.
2. With exception of the final Milestone payment the Buyer shall pay the Supplier up to [REDACTED] of the agreed fixed price for the SOW spread out across the remaining Milestones. The % spread shall be proportionate to the scope of each Milestone.
3. The final Milestone shall be the completion of all activities described within the SOW. The final Milestone payment shall be no less than [REDACTED] of the agreed fixed price for the SOW.
4. The Buyer and the Supplier shall agree the fixed price for each SOW. The fixed price shall be calculated using the agreed fixed price elements contained within Schedule 2, Part 3 Pricing Schedule only.
5. Should the Supplier fail to achieve a Milestone by the agreed date the Buyer reserves the right to withhold payment for that Milestone until it has been achieved subject to demonstration by the Supplier and verification by the Buyer.

## 17. Terms and Conditions

17.1 The form of tender was signed by IBM.

## 18. Financial Evaluation


18.1 Accounting Services completed their analysis on XX October 2017 and advised that IBM UK Ltd was financially sound. See file enclosed.


Attachment

## 19. Clarification

19.1 Clarification was sought from IBM on several points. The correspondence regarding these clarifications is attached below. The clarification responses were all confirmed as acceptable by the panel members.



  
Low Income Benefits - 07 - Evaluation - Clarification1 - IBM.obr

  
Low Income Benefits - 07 - Evaluation - Clarification2 - IBM.obr

19.2 There were no points of clarification required from PA Consulting.

## **20. Contract Management Plan**

20.1 The contract will be managed by  (SSD's Supplier Relationship Officer).

20.2 The SG Contract Manager shall have overall responsibility for ensuring that all other interested parties/stakeholders are kept up to date with proceedings following contract award and throughout the subsequent system mobilisation.

20.3 MPIP shall support the Customer during the period of contract, specifically in relation to the lead-in stage, development of robust contract documentation following contract award, attendance at contract review meetings and procurement advice in relation to any potential changes to the contract.

20.4 An inception meeting is planned for Thursday 26 October 2017.

20.5 Contract management will be in accordance with Schedule 12 of the contract (see Annex 2 at the end of this document).

## **21. Savings / Benefits**

21.1 Due to the agile nature of this contract and the incomplete detail of what is required during the contract, it has not been possible to identify potential savings.

## **22. Community Benefits /Sustainability**

22.1 The tenderer proposed 2 types of quantifiable community benefits during the period of contract.









[REDACTED]

22.2 Sustainability is included within the management arrangements for the contract. The Supplier shall fully comply with the Buyer's environmental policies and practices. See Annex 2 Travel and Environmental Sustainability (paragraphs 71 to 80, below).

### 23. Fair Work

[REDACTED]

[REDACTED]

[REDACTED]

### 24. Recommendation

24.1 IBM UK Ltd is considered to have submitted the most economically advantageous tender (MEAT), using a combination of the Technical, Cultural Fit and Commercial (Price) scores and it is my recommendation that the contract is awarded to the stated organisation, for the period 30 October 2017 to 29 October 2019 with the option to extend by up to 6 months to 29 April 2020.

## 24.2 Standstill Period and Contract Award

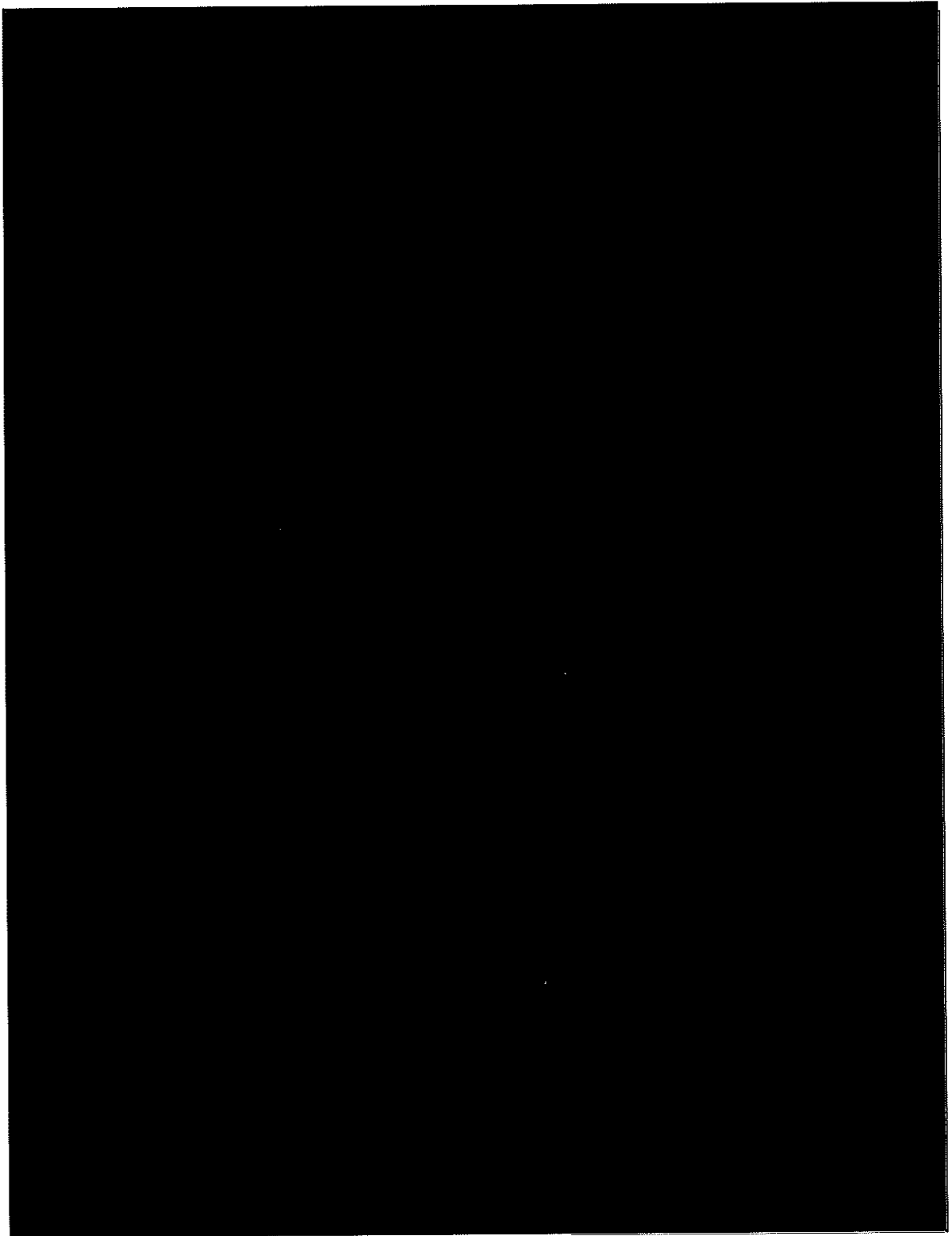
24.3 A standstill period is not required for this contract as it is a call off from the DOS2 framework. On approval of this Contract Award Recommendation Report, unsuccessful letters shall be issued to the unsuccessful tenderer and a contract award letter will be issued to IBM UK Ltd informing them to proceed.

**[REDACTED]**  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team

**Approved by:**

<b>[REDACTED]</b> <b>Portfolio Manager</b> More Powers Implementation Team Scottish Procurement and Commercial Directorate	<b>Lisa Baron-Broadhurst</b> <b>Programme Director,</b> <b>Social Security</b> Social Security Directorate	<b>Committee Approval</b> <b>Confirmation</b>

## Annex 1 – OCIO Recommendations



Annex 2

SCHEDULE 12 – Invitation to Tender for Low Income Benefits Agile Service Design

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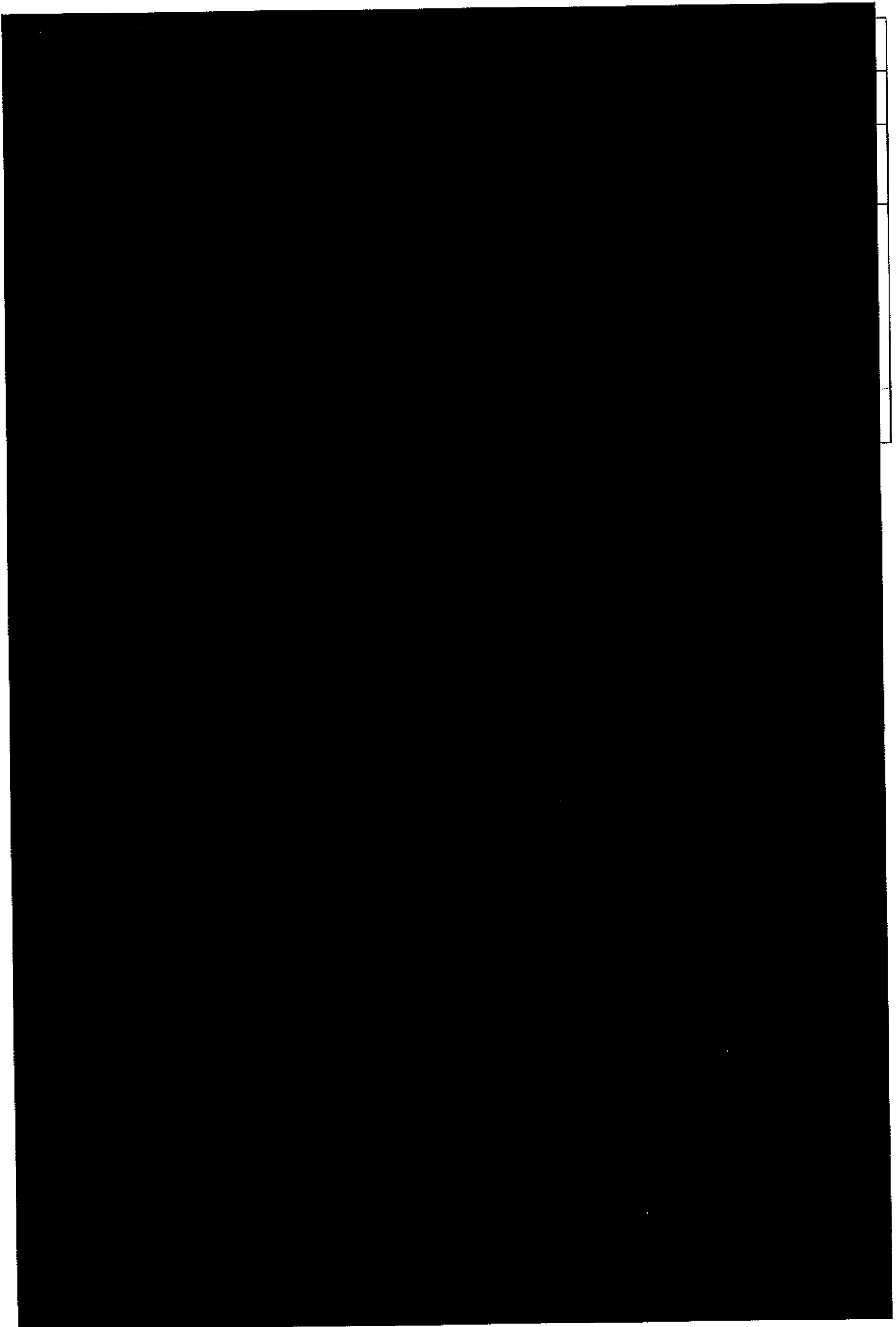
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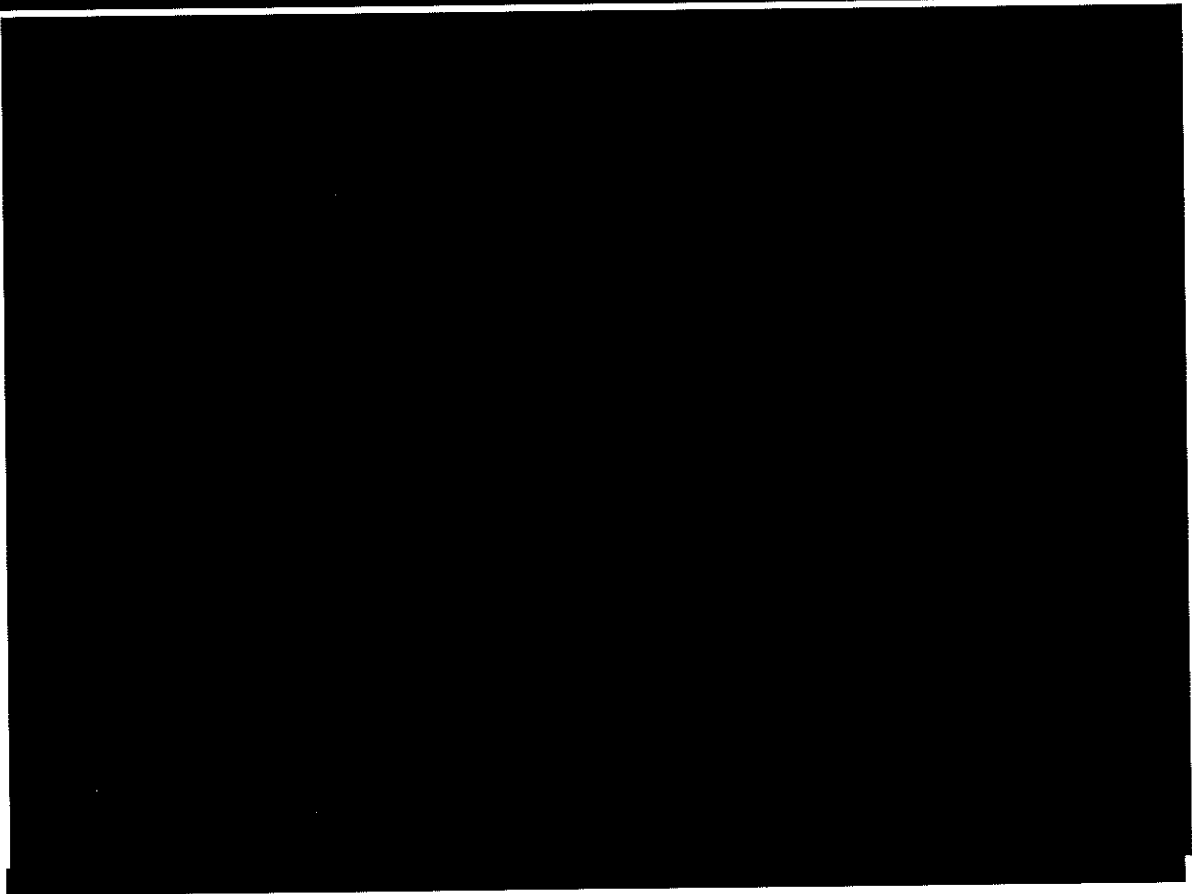
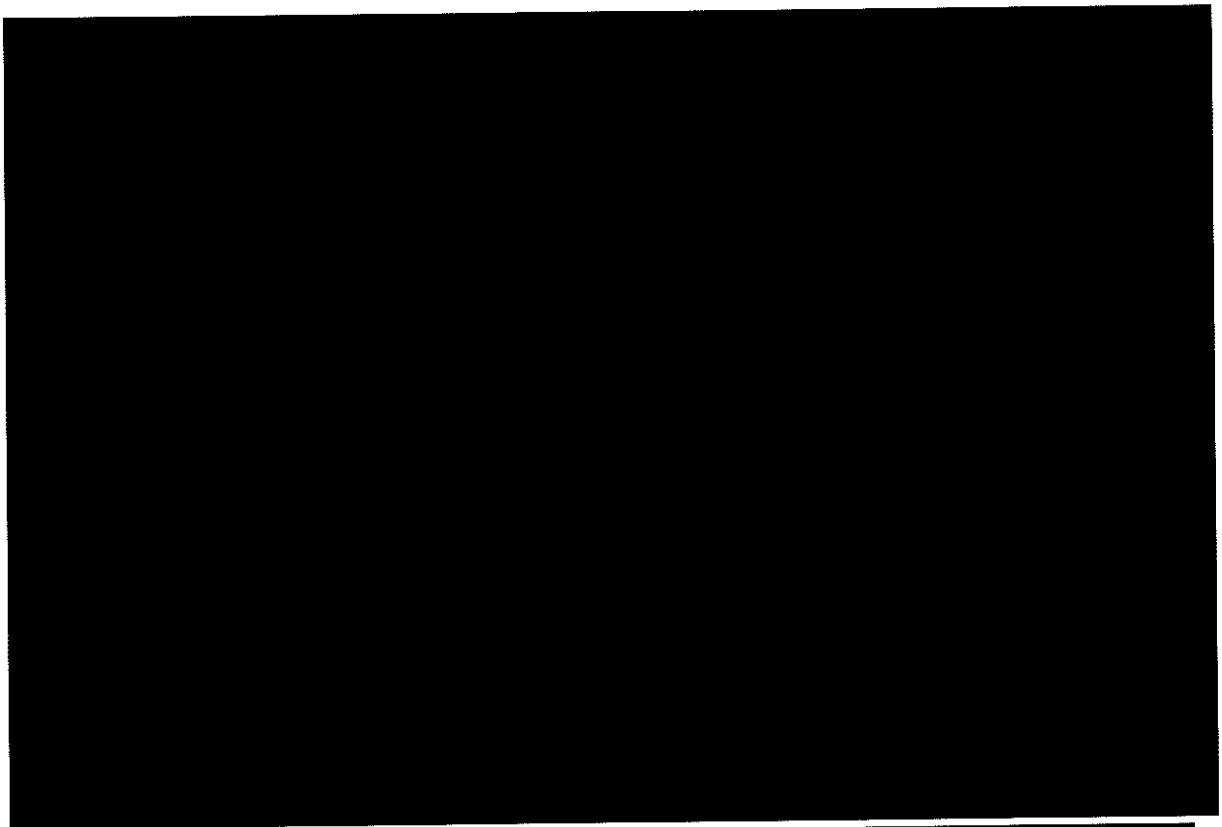
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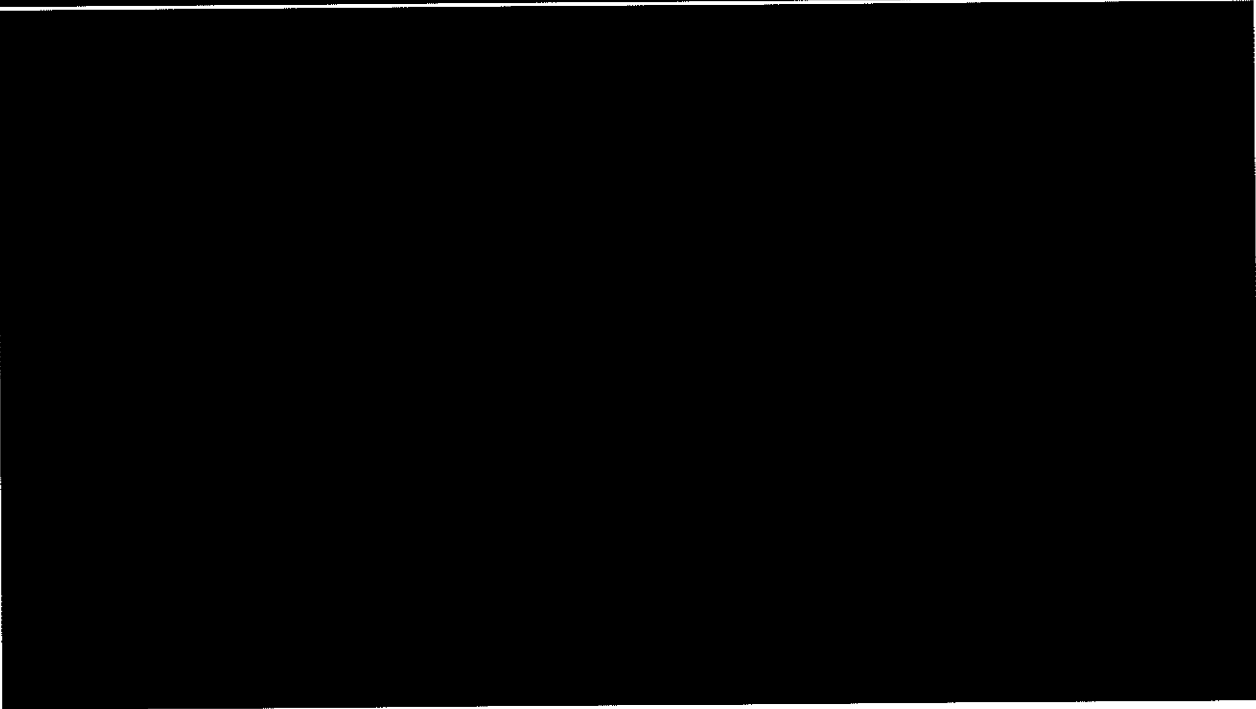
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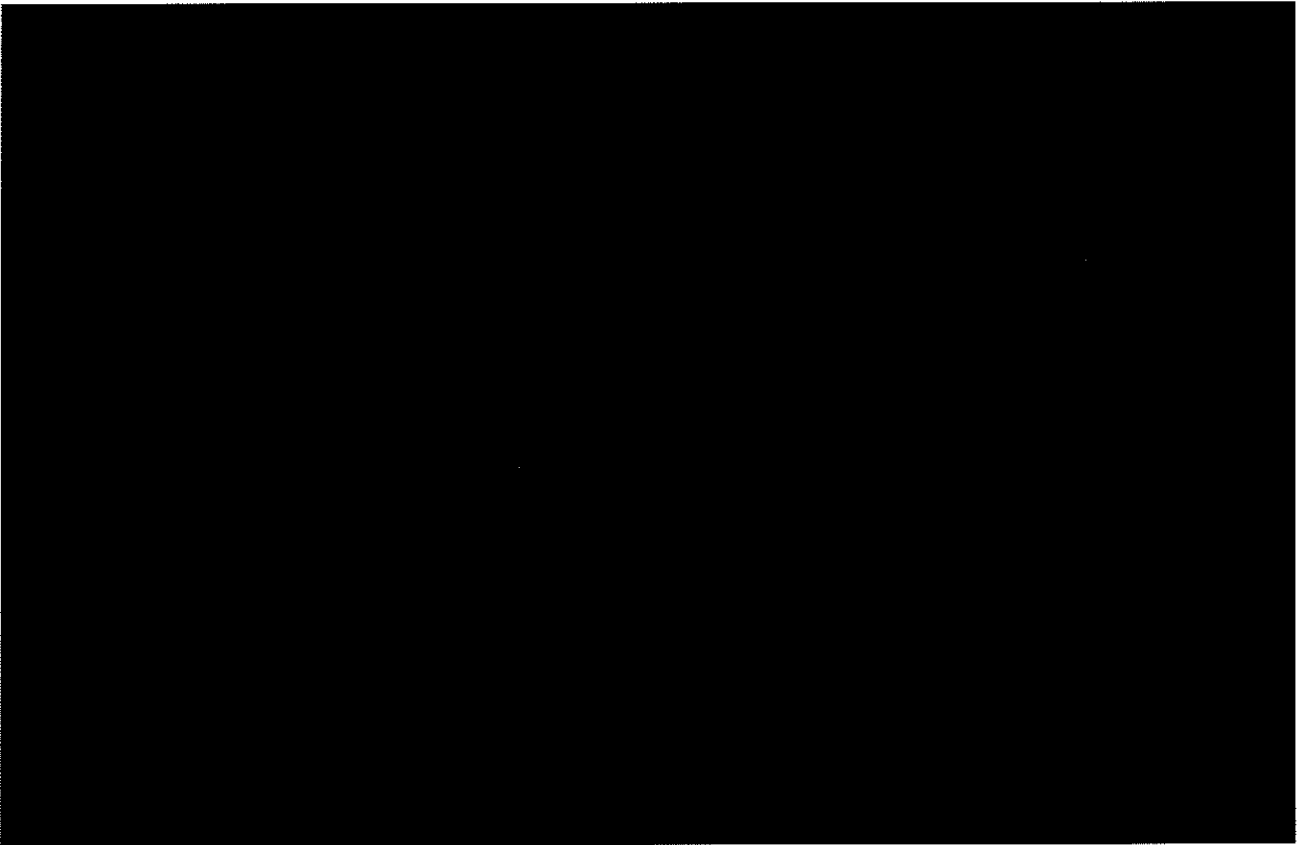
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58/25



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**From:** Kerr S (Stephen) (Social Security Director)  
**Sent:** 12 October 2017 18:14  
**To:** [REDACTED]  
**Cc:** McClintock A (Andy); Baron-Broadhurst L (Lisa); [REDACTED]  
**Subject:** RE: Low Income Benefits - CARR Supplement - For Approval

Thanks [REDACTED] On the basis of the note below, and a discussion with Andy to understand the costs we settled on, I'm content, S.

**Stephen Kerr** | Social Security Director | Scottish Government | Atlantic Quay, 150 Broomielaw, Glasgow, G2 8LU and Victoria Quay, Edinburgh EH6 6QQ | Tel: +44 (0)131 244 [REDACTED] email: [REDACTED]  
Please save paper – do you need to print this e-mail?

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**From:** [REDACTED]  
**Sent:** 12 October 2017 16:24  
**To:** Kerr S (Stephen) (Social Security Director)  
**Cc:** McClintock A (Andy); Baron-Broadhurst L (Lisa); [REDACTED]  
**Subject:** Low Income Benefits - CARR Supplement - For Approval

Hi Stephen

Further to the Contract Award Recommendation Report (CARR) which was sent to Lisa Baron-Broadhurst on 3 October for Low Income Benefits there have been some developments with regards to the pricing of the contract and outstanding items from the original CARR (financial check, living wage confirmation and IPR terms and conditions).

Attached is a supplement to the CARR which requires further approval from yourself, in Lisa's absence, to allow for contract award tomorrow. Could you please review the supplement and approve by return if you are content.

We have been working closely with Andy McClintock who has reviewed the Supplement to the CARR prior to sending to you for consideration.

The reason for the supplement is that hosting and licenses are now included within the contract value. Instructions to Tenderers for the procurement explained that the contract would initially be awarded for resources with hosting and licensing added to the contract by contract variation as required. Prices were collected for licenses and hosting during the procurement, for this purpose but were not included in the original CARR.

Negotiations have taken place with the preferred supplier that enable us to confirm the take up and pricing of the licenses and hosting at an earlier stage than anticipated. We are now proposing to include these within the contract award. There has also been a reduction in the overall contract value.

We are still aiming to award the contract tomorrow so a response no later 10am tomorrow would be appreciated.

If you have any questions please don't hesitate to contact me.



Please note that it has been agreed that an embargo will be placed on any form of communication in relation to the award of the LIB contract from the date of contract award until the end of the parliamentary recess. The embargo will apply to all SG officials, SG interim managers, and the contractor until 23 October 2017.

A Ministerial briefing note is being drafted and will be copied to the Cabinet Secretary as you have advised (we will copy you into this for review prior to release).

Kind regards

[REDACTED]  
[REDACTED] MCIPS  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team  
Collaborative & Scottish Government Procurement Division  
The Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
Tel: 0141 [REDACTED]  
[REDACTED]@gov.scot  
[www.scotland.gov.uk/procurement](http://www.scotland.gov.uk/procurement)

Scottish Procurement and Commercial Directorate  
More Powers Implementation Procurement Team  
T: 0141 [REDACTED]  
[REDACTED]



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

Our Ref: CASE/361756

Scottish Government  
Procurement and Commercial  
Directorate  
7<sup>th</sup> Floor  
5 Atlantic Quay  
150 Broomielaw  
Glasgow  
G2 8LU

[REDACTED]  
IBM United Kingdom Limited  
P.O. Box 41  
North Harbour  
Portsmouth  
Hants  
PO6 3AU

13 October 2017

By Email: [REDACTED]@uk.ibm.com

**CALL-OFF CONTRACT FROM THE CROWN COMMERCIAL SERVICE DIGITAL  
OUTCOMES AND SPECIALISTS 2 FRAMEWORK - RM1043iv**

**PROCUREMENT OF LOW INCOME BENEFITS AGILE SERVICE DESIGN**

**TENDER REF: SP-17-014**

Dear [REDACTED]

I refer to the following documentation:

- Invitation to Tender revised, dated 07 September 2017,
- All further information, questions and answers managed via Public Contracts Scotland,
- Your bid dated 19 September 2017 and
- Email communications between parties dated between 28 September and 12 October 2017 (full details of communications shall be included in the covering letter of the contract documentation to follow).

In accordance with our previously published evaluation criteria, we have now completed our evaluation of all tenders received in response to the Invitation to Tender. Given that your tender has been found to offer the best price, technical and cultural fit ratio, Scottish Ministers are pleased to accept your bid. Further detail regarding evaluation of your bid can be found in the annex to this letter.

**NOTE - EMBARGO:** It has been agreed that an embargo will be placed on any form of communication in relation to the award of this contract from the date of contract award until the end of the parliamentary recess, 23 October 2017. The embargo will

apply to Scottish Government personnel and the contractor. We ask that you observe this embargo and that you do not disseminate details of the award beyond those necessary within your organisation until this date. Please alert those informed of the decision, of the embargo.

The contract will commence on 30 October 2017 and will expire on 29 October 2019, unless the contract is terminated in accordance with the above referenced call-off contract's terms and conditions. The said terms and conditions include an option to extend by up to an additional 6 months (expiring no later than 29 April 2020).

The total maximum contract value for resources will be [REDACTED] excluding VAT for the initial 2 year period of the contract. There is a further allowance for hosting and software licenses bringing the total maximum contract value to £8,283,333 excluding VAT (calculation below). There is an option to extend the contract by up to 20% of the original contract value.

Item	Price calculation	Total Price
Total Maximum Price for Resources	[REDACTED]	[REDACTED]
Licenses	[REDACTED]	[REDACTED]
Hosting and Associated Costs	[REDACTED]	[REDACTED]
Set up costs	[REDACTED]	[REDACTED]
		<b>£8,283,333</b>

Annex A provides information regarding the individual scores given to you against the published criteria in respect of your submission and provides comments from the evaluation panel.

The contract documents will be sent to you for signature in due course.

I would be grateful for your written acknowledgement that you have received, and understood, the contents of this letter by email to [REDACTED] in the first instance and followed by the original signature copy to the above Scottish Government postal address.

Yours sincerely

[REDACTED]  
[REDACTED]

Portfolio Manager  
More Powers Implementation Procurement Team





Signed for on behalf of IBM UK Ltd.

Signature:		Position:	
Name:		Date:	

## Annex A – Evaluation Outcome

The table below shows the individual scores given against the published criteria in respect of your submission and provides comments from the evaluation panel. (Please note all scores are subject to rounding to 2 decimal places at each stage).








### Technical Evaluation 65%:

PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
1. Service Delivery*	*30%			<p>An acceptable answer that breaks down in detail the way in which IBM would deliver the programme. The high level approach that outlines the building blocks of the project is clear and the approach to co-location highlights their willingness to work in the way we require the project to be delivered. It offers some value-added elements such as building a model office, training of SG staff, and a comprehensive transition strategy. The indicative timeline for delivery gives useful context of how responsibilities would transition to Scottish Government. The supplier has clearly demonstrated the approach to co-location with the teams targeted to fully support SG needs. They have demonstrated an understanding of delivery models and understanding of dependencies on other government departments in particular DWP. Significant added value in particular the apprentice positions. Textural and graphical explanation of their Agile delivery approach is provided.</p> <p>The bid could have been strengthened with greater clarity on user engagement specific to the people of Scotland. The response would have benefited from detailing some of the challenges associated with co-location or experience of multi-site co-location. Response also details individual team roles and responsibilities without acknowledging the need to develop these in partnership with the client. The response also recommends adoption of a new Programme Governance without acknowledgment of the existing Programme governance already in place. Despite mentioning alignment with the Digital First Service Standard, further detail could have been provided to articulate how this would be embedded in everyday working practices.</p>
2. The Team*	*10%			<p>This is an acceptable answer and aligns with roles identified in SG. Strong candidates for the roles. Key roles around user research, user experience, testing, product developers, all identified in the response. The response details the Executive team that will be responsible for managing the contract. The individuals proposed appear to have experience of working on similar projects within the UK public sector. Similarly, the proposed senior core team appears to have the relevant experience of working on similar projects, including within the public</p>

PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
				<p>sector. Commitment for the whole Executive team to be visible and accessible, at least during the early stages of the project.</p> <p>Many of the key personnel are experienced in specific products and have a history of working with the DWP. This in itself brings advantages and disadvantages and we may benefit from a wider range of personnel. However skills are all relevant. The response focuses on the use of the [REDACTED] product as the basis for much of the core application functionality but only three named development resources are identified. Further details of the wider resource pool that IBM have to support this key product would have been helpful. There are some roles that have not been confirmed and the main point of accountability for leading the project is unclear.</p>
3. Understanding of the Requirement*	*10%	[REDACTED]	[REDACTED]	<p>Details a clear understanding of the SG requirements for Low Income Benefits. Evidence demonstrates a clear understanding of previous Discovery and Alpha stages of development and how these will be used in the next phases. Strong evidence of large scale delivery with both private and public sector bodies in particular DWP. The response explains in detail how IBM understand and will meet the requirements. Explanation of how each citizen channel can be addressed and [REDACTED] is described.</p> <p>The bid would have benefited by further demonstrating how User Research will be in built into the model. There appear to be limited opportunities for a user centric service design. The response does not recognise potential risks associated with the recommendations made and although it states that the supplier would work with the SG on the alternatives, it is not clear how this would be implemented. Further evidence in relation to embedding of user research, content design, and adherence to Digital First standards could have supported a higher score.</p>
4. Solutions – System Quality Attributes	10%	[REDACTED]	[REDACTED]	<p>The response is good. It systematically documents and details all the system quality attributes outlined in Annex G of the Statement of Requirements. It also goes on to describe the approach to realising these, based on the existing processes deployed and experiences with the past and current projects.</p> <p>The response overall could be more succinct. There could have been more information on the specification of the infrastructure required to run and meet the requirements - CPU, Memory etc. The overview of infrastructure architecture (p 71-73) is not directly relevant to the question that's being answered.</p>

PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
5. Alpha Scenario*	*5%	■	■	<p>Acceptable answer overall that sets out clearly how the Alpha scenario can be delivered in 10 weeks from start, building upon previous discovery efforts. Demonstrates an understanding of the concept of an Alpha phase. Timeline diagram supplied. Information supplied on roles, people and ceremonies required to support the alpha. the scope seems solid based on the information that's been provided, as do the proposed stages and exit criteria. [REDACTED], but would give a working and testable prototype in a confined timeframe. The team structure makes sense, but seems light on people to do the required integration work indicated listed in the outputs.</p> <p>The structure of the response is confusing and the scope appears that it could be too narrow. For example, Notifications appear to be out of the scope as well as Change of Circumstances. Further detail could have been provided relating to the HSV requirement and the need to integrate with the SG corporate systems. There could also have been more focus on user research and content design and the practical processes that would be undertaken e.g. how user needs would be established, the process for creating user stories, the people required to provide validation, how continuous testing will be employed, etc.</p>
6. User Research, Engagement & Developing User Focused Services*	*5%	■	■	<p>Response is acceptable and relevant. The response addresses a broad understanding of the requirements which sets out the IBM approach to user research and engagement whilst developing user focused services. The response outlines an approach that is critical to the delivery of Low Income Benefits, getting to grips with the different user groups, ethics standards, techniques and testing that is fundamental to the service delivery we expect. It also recognises in detail the different citizen and internal/admin needs that will need to be covered, and the different approaches to user recruitment. Recognises the work done on experience panels and wider 3rd sector. Understands the importance of user research. Shows understanding of some of the user groups that will be engaged. Cites the techniques that will be used in UR. Commits to continuous UR. Understands the Social Security Vision. The response also recognises the Digital First Standards and commits to implementing a monitoring system into each sprint review aimed at assessing how the service is meeting 7 principles of Scottish social security and Digital First Standards.</p> <p>There could have been more focussed on putting the user at the heart of what we are trying to deliver. The evidence demonstrated in this answer could also have been reflected elsewhere in the document as it appears to sit in isolation within this section. Although there is good commentary around involving the citizen on the continual journey, a greater insight into how the feedback and testing of iterations of design would be replayed back to them would have been helpful. Scotland is geographically dispersed and some citizens may not engage fully if</p>

PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
				<p>they are expected to come to SG to understand work in progress. The sensitive nature of our end users could have been addressed in more detail as well as their specific needs in terms of undertaking user research, such as the location of individual sessions, support they may require in terms of literacy levels etc. The response would have also benefited from a more detailed focus on the use of Excellence Groups and approach to iterative design based on user feedback. In addition, in response to the possible areas that user research could focus on for BSG, this could be better related to the current mechanism for the delivery of HSV, as detailed in the tender. In response to the Scottish social security vision and principles, principal focus appears to be on technology solutions rather than the design of the overall system that encompasses people and processes and how this would contribute to meeting the principle of treating people with dignity and respect. Similarly, it is not clear how the supplier will contribute to the principle of designing a system that is efficient and value for money. The response on Digital First Standards focuses on user research and technological elements of the assessment, however, it does not draw on how the supplier will work with the client on joint participation at the assessments. The answer does not sufficiently represent Content Design as a key component of a user-focused approach. In addressing Digital First the answer could have gone into more detail on technical appraisal, open source and open standards.</p>
7. Indicative Technical Architecture	5%			<p>The response is acceptable and sets out and outlines the technical architecture for the service, which [REDACTED]</p> <p>[REDACTED]. Evidence of multi-channel support including mobile. Response recognises the four citizen interaction channels and details how these would be managed consistently with the proposed platform. The proposal also recognises the needs of different user groups and proposes a solution that is based on roles with specific focus on security and data integrity. Detailed case evidence provided regarding the ability of the proposed platform to integrate with legacy systems as well as in relation to computer telephony integration.</p> <p>The joint use of the [REDACTED] product may limit or constrain the Social Security Directorate aspirations to either customise forms or substitute them for an interface that aligns closer with the Scottish Digital First standards. The Online solution could have provided additional detail regarding alignment with the MyGov.scot standards. Additional detail relating to Social Security capabilities established during Discovery could have been provided.</p>







PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
8. Business Continuity and Disaster Recovery	5%			<p>An acceptable answer that provides a comprehensive overview of Business Continuity and Disaster Recovery, highlighting the processes required and contingency planning that would be put in place, appropriate to each stage of the project, and includes how they would interface with Scottish Government to draw up plans and align with existing practice. The plan encompasses people, technology, data, processes, premises. Commitment to have disaster recovery plan reviewed and iterated ahead of major phases of the project, including Discovery, Alpha and Beta.</p> <p>The proposal is light on detail of the support model to be provided at each phase of delivery through initial launch. It would have been useful to have had more detail on how they would work with Scottish Government - particularly other digital and business critical functions - to mirror existing practices and make recommendations based on this. Although IBM have set out the approach they would take, there is an assumption from the diagrams that the services might be located on-premise. A detailed explanation of how this would translate into a cloud based environment would have been useful.</p>
9. Operational Support Model	5%			<p>A good response from IBM on the varying support model with clear graphical explanation of how 1st, 2nd, 3rd, and 4th level support could be triggered. The global capability with 'around the sun' support contacts is useful but would need to be tested. Outlines the approach to operational support in a lot of detail, and documents the service level agreement targets they will put in place, including a useful breakdown of how service management will integrate with existing agile processes. Details response goals and named escalation points.</p> <p>It would have been useful to have had more detail on how they would work with Scottish Government - particularly other digital and business critical functions - to mirror existing practices and make recommendations based on this. Although the response was of a good standard, the differing levels of response times between  and the wider architecture components is of concern and would benefit from being aligned. It is not clear from the response, how problems identified as critical to business operations will be mitigated within the proposed timescales should they occur outside the core hours for the on-site support.</p>
10. Risks, Constraints, Conflicts of Interest	4%			<p>The response is acceptable and sets out assumptions, risks, constraints and dependencies including those dependencies on SG and third parties, in particular DWP. It recognises the risks associated with user research (critical part of successful delivery). Highlights the need for clear and functioning governance, stakeholder engagement and specific technology risks.</p> <p>Existing SG approach to risk management is not mentioned or alluded to. There are no</p>



PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
				constraints listed, which is unusual given the duration of the contract and the constantly changing digital landscape. Two of the assumptions highlight a concerning dependency on DWP (these should have been listed as 'dependencies'). There are also several references to 'Discovery' which suggests some confusion about the overlapping project phases. In relation to some of the major risks, including the assumption that the SG will be able to reuse code developed for another organisation, the mitigating actions fall below those expected for a risk of this severity. In addition, it is not clear what consideration the supplier has given to the risk associated with wholesale copying of another code in terms of ensuring that it meets our user needs which significantly differ to those of the other organisation in question.
11. Transition	3%			<p>A good response which sets out how any transition to a new service provider or the in-house capability could be achieved with a clear emphasis on both documentation from the outset and the phased delivery and handover process which should incrementally empower either SG resources or another supplier through shadowing and knowledge transfer. Includes a period of parallel operations.</p> <p>Although a good response has been given it should be noted that as [REDACTED] products from both IBM and [REDACTED] are part of the overall solution, there will be a limit to how much ownership and control can be transferred away from IBM beyond the end of contract as on-going licence maintenance costs will be applicable for any continued use. The response falls short on detailing the level of resources to be provided to support any transition.</p>
12. Data Management	3%			<p>Acceptable response. Cites appropriate ISO/IES standards, recognises that security has many perspectives (source code, application development, networking etc). The 19 requirements are answered in detail with each of the points set out in Schedule 9 including [REDACTED].</p> <p>Further detail on the [REDACTED] model would have been useful. Further reassurance could have been provided on point 12, of non-compliance being immediately escalated to the SG.</p>
13. Hosting Proposals(s),	3%			<p>Acceptable response. The response acknowledges the SG Hosting Strategy and presents a proposal consisting of three options that are capable of supporting cloud, hybrid and on-premise hosting, including the ability to leverage a combination of these.</p> <p>Whilst the response was acceptable and offered a number of options, fuller details around</p>

PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION/PANEL COMMENTS
				how any transition from one cloud platform to another could be achieved, would have been helpful. The differing approaches by various cloud providers does not always make for a simple transition, particularly where environments are configured through automated scripting or code. The response leans heavily [REDACTED]; a reference architecture for [REDACTED] would have been useful or just a generic reference model at a service / delivery model level that was not vendor specific. [REDACTED] A network / deployment diagram showing ingress, egress points supplied would have been useful. Cites use of "appropriate boundary controls" but it is unclear what these are.
14a. Community Benefits - apprenticeships	2%	[REDACTED]	[REDACTED]	<p>A good response Detailed response with strong emphasis on partnership with Skills Development Scotland. Length of the apprenticeship together with the confirmation of Scottish living wage being paid appears to provide for a stable programme, at the end of which successful candidates have the potential to gain an SQA recognised qualification. Evidence of strong support to the candidates throughout the programme with a qualified assessor supporting the process.</p> <p>The response indicates that [REDACTED] [REDACTED] This does not confirm actual employment was secured within IBM or elsewhere.</p>
14b. Community Benefits – schools and colleges	0%	[REDACTED]	[REDACTED]	A good response indicating that IBM will commit to engaging with Schools on a monthly basis offering a range of support mechanisms to provide a basis for Science, Technology, Engineering, and Maths (STEM) skills.

**Cultural Fit Evaluation 5%:**

PUBLISHED CRITERIA	WEIGHT	YOUR SCORE	WEIGHTED SCORE	EVALUATION PANEL COMMENTS
Continuity of Service*	*40%			<p>An acceptable answer. The three key areas: continuity of service, managing absence periods and assuring the quality of the replacement team members is detailed. The response highlights how continuity of service will be achieved, including oversight of planned absences and upfront planning to avoid issues. Backfill will be provided in cases of prolonged unplanned absence, with no additional cost if the post is more senior than the person who is off.</p> <p>Despite the response on the planned approach it would have been helpful to have evidence of the size of the resource pool that are available for backfill and if this would be a restricted number of individuals where specialist skills are required. The response, also does not account for continuity of service in case of an unexpected absence i.e. how the proposed 2 week knowledge transfer period would work in this instance. Similarly, in terms of the service continuity, the response fails to define the longer period of planned absence.</p>
Fair Work	40%			<p>The response is acceptable and relevant and covers IBM commitment to fair work practices for workers with reference to Schedule 13. Commits to fair worker practices, fair and equal pay, and recognises equality and diversity as well as the need to up-skill staff.</p> <p>The response is strongly focused on one particular aspect of equality and diversity, without mention or acknowledgement of the wider workforce or clients, including those associated with disability, age and/or socio-economic background. It also does not draw out how the company policies and arrangements are applied to agency and/or sub-contract workers. Response lacks a specific focus on this contract.</p>
Approach to working with Clients with Mixed Range Agile Technical Expertise/Experience*	*20%			<p>A good response. Case studies demonstrate the approach to working with clients with mixed technical and Agile experience. The approach proposed centres around collaboration and knowledge sharing from the supplier to the client and provides options for additional training of SG staff. Highlights how they would expect skills and knowledge to evolve over time, ensuring greater transfer of agile and technical skills to Scottish Government over the duration of the project.</p> <p>Requires further detail on how the Design Thinking approach would be transferred, and more of a focus on supporting and embedding a user-centric approach as well as the emphasis on technical expertise.</p>

**Commercial Evaluation 30%**

Your weighted commercial score was 30.00.

n)

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**From:** [REDACTED]  
**Sent:** 13 October 2017 14:23  
**To:** [REDACTED]  
**Cc:** [REDACTED]; M@uk.ibm.com'; McClintock A (Andy); [REDACTED]  
**Subject:** Official Sensitive Commercial - Low Income Benefits Agile Service Design  
**Attachments:** Low Income Benefits - 08 - Award - Contract Award Letter - IBM#3.docx

Dear [REDACTED]

In relation to the above project we are delighted to inform you that your bid has been successful. Please find attached a letter containing further information regarding the decision.

**NOTE - EMBARGO:** It has been agreed that an embargo will be placed on any form of communication in relation to the award of this contract from the date of contract award until the end of the parliamentary recess, 23 October 2017. The embargo will apply to Scottish Government personnel and the contractor. We ask that you observe this embargo and that you do not disseminate details of the award beyond those necessary within your organisation until this date. Please alert those informed of the decision, of the embargo.

I am in the process of completing the contract documentation and will send across further details for completing this. Please note that [REDACTED] and I are both on leave until 23 October. Cover is being provided by team members so if you have any queries in the meantime please contact [REDACTED]@gov.scot or [REDACTED]@gov.scot.

The team are very keen to have an initial meeting for introductions/inception and to ensure that mobilisation and security can be addressed to ensure that we meet the contract start date. As previously notified we have scheduled this for 26 October. Would you please be able to confirm attendance at the meeting as below.

Further to this we would like to arrange BPSS security clearance at the earliest opportunity. Original identification documentation and evidence of disclosure is required. My colleagues [REDACTED] and [REDACTED] have been assigned to assist with this task and will be in touch first thing next week to make arrangements.

### Inception Meeting

**Date/Time:** Thursday 26 October from 9am until 4.30pm.

**Location:** Scottish Government, Victoria Quay, Leith, Edinburgh, EH6 6QQ

Could you please complete the table below for all attendees for the meeting on 26 October for security purposes.

Surname	First name	Designation


Following inception it is envisaged that the commencement date for the contract will be Monday 30 October 2017 and the team are looking forward to working with you.

I would be grateful for your written acknowledgement that you have received, and understood, the contents of this email and attached letter, by email to [REDACTED]@gov.scot.

Kind regards

[REDACTED]  
[REDACTED] ICIPS  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team  
Collaborative & Scottish Government Procurement Division  
The Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
Tel: 0141 [REDACTED]  
[REDACTED]@gov.scot  
[www.scotland.gov.uk/procurement](http://www.scotland.gov.uk/procurement)

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** 13 October 2017 14:23  
**To:**  
**Cc:**  
**Subject:** Official Sensitive Commercial - Low Income Benefits Agile Service Design  
**Attachments:** Low Income Benefits - 08 - Award - Unsuccessful Letter - PA Consulting#

Dear [REDACTED]

Thank you for your tender submission for the above contract.

Following evaluation, I regret to inform you that your bid has been unsuccessful. We understand that this will be disappointing and appreciate that considerable time and effort has gone into your submission.

Please find attached a letter with further details of the evaluation and comments from the Evaluation Panel.

**NOTE - EMBARGO:** It has been agreed that an embargo will be placed on any form of communication in relation to the award of this contract from the date of contract award until the end of the parliamentary recess, 23 October 2017. The embargo will apply to Scottish Government personnel and to those bidders who took part in the procurement exercise. We request that you observe this embargo and that you do not disseminate details of this notification to those necessary within your organisation until 23 October 2017. Please cascade this embargo alert to those within your organisation you do inform.

I would like to thank you for your interest in this opportunity and I hope that you will continue to check Public Contracts Scotland and the Digital Marketplace for future contract notices.

Kind regards

[REDACTED]  
[REDACTED] MCIPS  
Senior Portfolio Specialist  
More Powers Implementation Procurement Team  
Collaborative & Scottish Government Procurement Division  
The Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
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