BP/REP/0006

REQUEST FOR A

STATEMENT OF CAPABILITY

BRINGING TECHNOLOGY TO POST OFFICES
AND BENEFIT PAYMENTS

Authority:	Post Office Counters Ltd Benefits Agency	Version: Issue 1.2
Reference:	POCL/BA/Procurement Team/0001	Date: 19 October 1994

BP/REP/0006

CONTENTS

Page

1. INTRODUCTION

1.1 Purpose

1.1.1 This request is issued to suppliers who responded fully to Notice reference 94/S 165-58937/EN in the Official Journal of the European Communities published on 30 August 94, and follows the issue of the partners' prospectus "Bringing Technology to Post Offices and Benefit Payments" on 5 October 1994. The prospectus described the business environment for this procurement, covering systems and services to automate post office counter positions and benefit payment.

1.1.2 Suppliers should read this request carefully before responding. It provides information which, together with the partners' prospectus referred to above, will help suppliers assess their approach to:

- formation of consortia, and positioning as a prime or sub-contractor

- strategies for identifying a strategic IT and card infrastructure, piloting, development, roll-out and service provision

- investing in responding to the procurement process

- financing the services

- assisting POCL in the identification of new potential services as referred to in Section 5 of the Prospectus

- understanding the major evaluation criteria for this important procurement.

1.1.3 Post Office Counters Ltd and the Benefits Agency (POCL/BA) intend to shortlist potential prime contractors on the basis of their "Statement of Capability" in response to this document. Shortlisted potential prime contractors will receive a more detailed specification of requirements and are expected to indicate that board level approval has been given to proceed in line with the financial funding intentions of this programme.

1.2 Structure

1.2.1 This document provides:

a) this introduction to its purpose with details of the action required of suppliers and contact points;

b) an overview of the procurement strategy (see Annex A) covering the position of this procurement within the strategy, potential future procurements with respect to the automation requirement, and a description of the process for this procurement;

c) a description of the main factors that will drive the evaluation and selection process;

d) a description of the format and content of the Statement of Capability required from potential prime contractors.

1.3   Action Required of Suppliers

1.3.1   Suppliers are requested to consider how they could best meet the requirements of this procurement taking into account the procurement strategy, the prospectus and evaluation criteria. This may be as a "prime contractor" leading a group of suppliers or as a "sub-contractor" supporting a potential prime contractor. (This is explained further in Annex A - Procurement Strategy.)

1.3.2   Where a supplier considers that he would be best placed to act as a prime, he should respond to this document as follows:

a) prepare a Statement of Capability as described in section 3 below;

b) provide ten paper copies of his Statement of Capability;

c) provide a 3.5" floppy disc containing his Statement of Capability, in Microsoft Word for Windows version 2.0 or version 6.0 file form - the disc to be clearly labelled accordingly; and

d) paper and disc copies should be enclosed in a sealed envelope, with the reference number (94/S 165-58937/EN) clearly indicated on the back, and sent to Patrick Sedgwick to be received at the address below by noon on 18 November 1994.

1.3.3   The only form of response permitted will be in writing, in English language, by letter with enclosures as detailed above, delivered by hand or post to the above address. Proof of posting or of other means of despatch should be retained by the sender. Response by facsimile or telex is not permitted. POCL/BA reserve the right to reject responses received after the above deadline or that do not provide the

required information. Suppliers failing to provide information considered relevant to the requirement may not be shortlisted for the next stage of this procurement...

1.3.4   Suppliers who consider they would best meet POCL/BA's requirements as a sub-contractor should find a suitable prime to respond on their behalf. Suppliers should use their own judgement as to when they should enter into any affiliations.

1.4   Suppliers Conference

1.4.1   POCL/BA propose to hold a suppliers conference on or about the 3 November 1994 in the London, UK, area, to answer queries about the procurement and the POCL/BA requirement. The actual date, time and venue will be communicated to you when determined. Attendance at this conference is *not* a precondition of participation in the procurement.

1.4.2   Where a supplier has queries, he should submit his questions in writing to Patrick Sedgwick, to be received at the address below by noon on 27 October 1994.

1.4.3   Each supplier will be allowed a maximum of two representatives to attend the conference. At the conference there will be a limited opportunity to answer questions from the floor, so suppliers should strive to provide their questions in advance as specified above. Following the conference, a summary of proceedings will be issued to all recipients of this "Request for a Statement of Capability".

1.5   Contacts

1.5.1   All queries with respect to this procurement must be directed to:

Patrick Sedgwick
POCL/BA Response Unit
Fifth Floor
Golden Cross House
8 Duncannon Street
London
WC2N 4NE

Telephone: **GRO**   *[international:* **GRO** *replaces* GRO
Facsimile: *[international:* **GRO** *replaces* GRO

1.5.2   In fairness to all suppliers, there must be a formal contact process. Therefore, all contact must be initiated through the authorised individual named above, who is

responsible to the Joint Programme Directors. All contacts, in any form, will be recorded and improper contact may lead to disqualification from the procurement.

1.5.3   Nothing within this "Request for a Statement of Capability" binds Post Office Counters Ltd or the Secretary of State for Social Security to award a contract to any bidder; and nothing in this document is to be taken as constituting an agreement, offer or representation that a contract will be awarded in accordance with the procedure referred to in this document or at all.

2. EVALUATION CRITERIA

2.1 Objective Evaluation

2.1.1 Throughout the procurement, potential prime contractors and their proposals will be assessed against objective evaluation criteria to select the most economically advantageous solution. These evaluation criteria will be related to how well potential prime contractors and their consortia will support the business objectives and the critical success factors for the overall programme. These were described in the prospectus and are summarised below.

2.2 Critical Success Factors

2.2.1 The critical success factors for POCL's strategy for automation at post offices have been stated as:

a) Customer Service. The system must both avoid undermining customers' trust in the integrity of Post Office Counters Ltd and help improve the quality of service to customers

b) Profitability. Projects must make sound financial sense

c) Affordability. With around 40,000 counter positions to equip, low unit costs are crucial

d) Adherence to industry standards. We endorse "open systems" and would not wish to be dependent on the continued existence of particular service providers

e) Support for existing information systems strategy. Automation at post offices must support wider business information systems needs by data collection and providing post offices with appropriate links to other systems including client systems

f) Universality. The system should be capable of introduction in all post offices

g) Versatility. The equipment needs the flexibility to meet over time a wide range of current and future client needs and applications.

2.2.2 The BA critical success factors focus on the new method of payment of benefits, including both the use of counter automation itself and associated services (such as card and database management). They can be summarised as:

a) Public acceptability. The proposed method of payment must be acceptable to customers, including the disabled and elderly

b) Reduction and containment of fraudulent encashments. The method of payment must minimise both fraudulent encashment (one person collecting benefit due to another) and transaction denial (the genuine person fraudulently claiming not to have received payment due)

c) Reduction in administrative costs, including both costs of instrument of payment production and transmission and costs of changes to benefit awards

d) Complete accounting. It must be possible to account for each payment made and reconcile it to the original award

e) Transfer of both operational and encashment fraud risks to the contractor

f) Maximising the opportunity for payment for the service on a usage basis

g) Fast and early roll-out of the service so that early advantage can be taken of the projected financial benefits.

2.2.3   The order of the above POCL and BA critical success factors is not significant and the list may not be exhaustive. They should be read in conjunction with the details set out in the prospectus information pack.

2.3   Evaluation of Statements of Capability

2.3.1   The objective of Stage 1 (as described under the procurement process in Annex A) is to establish that there are suitable potential prime contractors. The content of the Statement of Capability is described fully in the next section. However, the focus of this stage is to consider the overall approach, capability, experience and financial standing of potential prime contractors and their consortia in supporting the above critical success factors. This will also include consideration of:

- strength of the prime in integration, project management, and service management and delivery

- the financial strength of the prime and his ability to carry the financial risk associated with the private finance initiative (PFI) approach referred to in the prospectus

- the willingness of the prime to adopt the service charging approach indicated in Annex A and by the PFI approach

- consortium make-up, in particular the range and independence of the pilot approaches

- business compatibility with POCL.

2.3.2 The prime contractor's focus is expected to be on integration and large-scale service management and delivery. He should have appropriate experience of implementing technology systems and service management. This means that he should have a business culture that will enable him effectively to relate and communicate with the POCL/BA procurement and programme management organisations.

2.3.3 The prime contractor should complement rather than compete with POCL's core business and ambitions for new business development. The aim is that a long-term partnership between POCL and the prime contractor will mature.

2.3.4 Following POCL/BA's consideration of the Statement of Capability responses, suppliers will be notified as to whether or not they have been selected to receive the Statement of Service Requirement document.

2.3.5 Statement of Capability responses will have to satisfy predefined evaluation criteria for potential prime contractors to be invited to participate further in this procurement. Those satisfying the criteria will be issued with a Statement of Service Requirement.

2.3.6 In the event that there are too few satisfactory responses to this "Request for a Statement of Capability", POCL/BA will consider alternative solutions as specified in the OJEC Notice, including division into lots or not proceeding to contract award.

3.   THE STATEMENT OF CAPABILITY

3.1   General

3.1.1   On the basis of the information provided in the prospectus and this document, suppliers should first consider their positioning as a potential prime contractor or as a sub-contractor. As stated in Section 1, only potential prime contractors should provide a Statement of Capability.

3.1.2   The Statement of Capability is the opportunity for potential prime contractors to set out their overall approach, capability, experience and financial standing. The information required is described under 3.2 below. The body of the Statement should not exceed 25 A4 sides, not including attachments such as financial accounts, brochures and the response to the attached questionnaire. This document should be self-standing, readable by itself.

3.1.3   Suppliers must respond to the questionnaire provided at Annex B, in a separate document from the 25-side document cited above. All questions must be answered in full and information must be presented in the same sequence as requested, with references to the original question. Suppliers should, where appropriate, give cross-references to relevant paragraphs in their 25-side document.

3.1.4   Where potential prime contractors are responding for a consortium (i.e. as a prime contractor leading a group of suppliers), the Statement of Capability and associated answers to the questionnaire must provide relevant information with respect to each of the organisations within the consortium.

3.2   The Body of the Statement

Approach

3.2.1   Potential prime contractors should describe how they propose to approach the service development, covering:

a) how they intend to meet POCL's and BA's critical success factors

b) the selection of the IT infrastructure

c) the development of the BA benefit payment application

d) management and development of the pilots, including the demonstrator

e) definition of the services.

3.2.2   Comments are also invited on the concepts set out in the enclosed paper "A Common Software Infrastructure" in terms of risk, timescale and cost. Where potential prime contractors wish to provide further detail, this may be given in addition to the 25 sides of the body of the Statement of Capability.
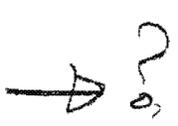
3.2.3   Potential prime contractors should describe how they propose to approach the service provision covering:

a) management of the roll-out

b) the service management and provision

c) quality, including achieving, monitoring and maintaining customer satisfaction

d) identification with POCL of opportunities to develop new services.

3.2.4   Potential prime contractors should outline their approach to applying suitable charging structures for the IT infrastructure, benefit payment service, and for other potential applications or services.

3.2.5   The responses to the above are expected to be management overviews rather than detailed technical proposals. Where it is not possible to provide a complete answer, potential prime contractors should explain their approach to finding the appropriate solution.

Capability

3.2.6   Potential prime contractors should identify the number of skilled staff able to provide each component of service, their geographic spread and details of the existing turnover of these service components.

3.2.7   Where formation of a consortium (and/or use of sub-contractors) has not been finalised, potential prime contractors should describe the range of services sought and their approach to resourcing them.

3.2.8   Potential prime contractors should explain the make-up of their consortium and how it would provide the range of required services and provide for a stable long-term business relationship.

Experience

3.2.9 Potential prime contractors should describe their experience of providing similar services and similar development and roll-out projects in terms of:

- scale

- management of change

- financial risks

- innovation with respect to similar technology and its use

- successful consortia formation and its management on a long-term basis.

3.2.10 Potential prime contractors are advised to describe in particular experience of:

- the management of large-scale implementation and operation of IT infrastructure in the retail or personal banking sectors

- acting as a large-scale card issuer in the personal financial services sector, including the card management and risk assessment and management

- the marketing of new services in the financial services sector or other related areas.

Procurement and Finance

3.2.11 Potential prime contractors should identify any risks concerned with the proposed procurement strategy, confirming their acceptance of the procurement process. In particular, they should provide feedback on the service charging strategy and PFI.

3.2.12 Potential prime contractors should provide a summary of their financial position as requested within the Questionnaire, and provide evidence of board level commitment to the private capital and risk sharing approach consistent with the PFI.

ANNEX A - PROCUREMENT STRATEGY

1. The Procurement Strategy

1.1 The POCL/BA system will automate benefit payments at post office counters, but importantly will also provide a strategic IT infrastructure for POCL to support a major programme for the automation of a wide range of current and new services at post office counters. Hence POCL/BA have identified a procurement strategy for the overall programme, of which this procurement forms an initial and major part. The procurement strategy is illustrated by the following diagram and then discussed below.
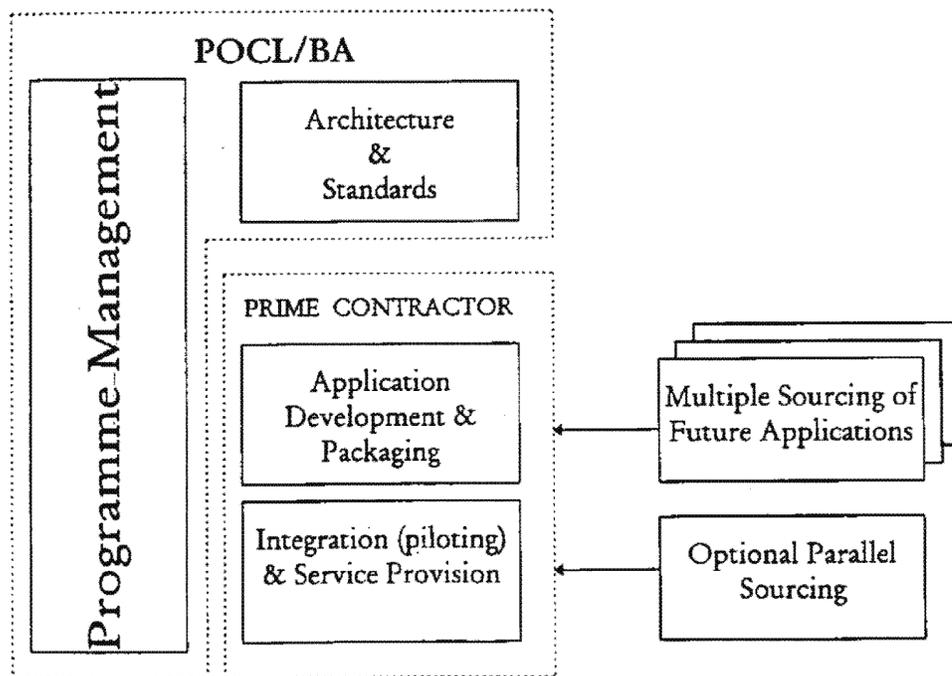
Programme Management

1.2 POCL/BA retain responsibility for the management of the overall programme and its timetable, the procurement strategy, and the automation requirement.

Architecture and Standards

1.3   A common set of Architecture and Standards for the boundaries of the services and infrastructure is imperative. This should cover aspects such as security, the split of processing between functions which are inside and outside the scope of the service boundary, international standards and industry standards where appropriate, and importantly user interface standards. A high degree of independence and strategic vision is required in this task. It is primarily a role for POCL/BA albeit with consultation from industry during the procurement.

Prime Contractor

1.4   The intention of this procurement is to select a single prime contractor (while reserving the right to select more than one prime contractor) to source a strategic IT infrastructure, with related integration and operational services, for all POCL applications, and to develop the initial BA benefit payment application. The selection of separate contractors for each of these two components has been considered but not taken forward at this stage. This is due to the focus required to identify the strategic IT infrastructure and the urgency of implementing the benefit payment application.

Application Development and Packaging

1.5   While POCL/BA intend to select a single prime contractor, a logical separation between Application Development and Service Provision is desirable. This stems from the longer term POCL requirement for ensuring a capability for multiple sourcing of a wide range of business applications to be supported by the strategic IT infrastructure. With multiple sourcing POCL would reserve the right to source the development of future applications by competitive procurement or from other existing agreements. The development of the initial BA benefit payment application may be established as a separate contract, as may the development of the initial POCL applications, albeit with the same prime contractor as for the Service Provision. The contract for the Service Provision is to allow sourcing of subsequent applications via the prime contractor where this is felt appropriate.

1.6   POCL/BA intend to use suitable contractual safeguards (such as intellectual property right to software) to retain the opportunity for recompetition of the Integration and Service Provision in the longer term without the need for major redevelopment of applications.

Integration and Service Provision

1.7   The Integration and Service Provision component is to be provided by the prime
       contractor on a "partnership basis" for the duration of the programme. This is for
       the ongoing operation of the IT infrastructure with associated production
       applications. As new applications are subsequently brought into production, the
       prime contractor is to provide integration services to undertake their integration
       into and roll-out on the infrastructure.

1.8   The intention is for the prime contractor to source and manage all IT infrastructure
       provided to POCL under a service payment arrangement. However POCL/BA
       would retain an option to purchase the infrastructure in the event of contractor
       default or at the completion of the contract. Funding arrangements are to consider
       the private finance initiative (PFI) described in the prospectus. Under such a service
       payment arrangement, the service charges would have a tariffing structure related to
       delivered services and be largely usage based.

1.9   While the above description assumes a single prime contractor for the Integration
       and Service Provision component, there may be advantages to POCL in some form
       of parallel sourcing of these services with more than one contractor. The aim would
       be for service quality comparisons to be made on an ongoing basis and to help
       protect against contractor failure to supply the service. We invite service providers
       to put forward ideas of how this might be achieved.

Piloting Activities

1.10   The IT infrastructure must be proven to be capable of delivering advantages for the
       BA benefit payment application and future applications for POCL and its other
       clients. The effect on the business processes at the post office counter must be well
       understood so that the IT infrastructure sets an appropriate environment and
       standards for all applications.

1.11   Potential prime contractors will be required to set up and operate a pilot system and
       service. The initial stage of the pilot will be a demonstrator which must establish
       the credibility of the prime contractor's proposed solution, both from a technical
       and usability perspective, whilst the latter stage (to be referred to as the operational
       trial) will focus on refinement of the solution and final proving of the detailed
       operational aspects prior to roll-out of the infrastructure. The pilot programme is to
       commence in parallel with contract negotiations (see Stage 3 below).

1.12   Demonstrator solutions must not be unduly restrained by the prime contractor's
       preference for his own product sets or niche expertise within his own company.

Service providers may be required to provide two or more independent demonstrator variants or options.

1.13 It is important that the pilot process is an investigative one, allowing sufficient scope for experimentation, refinement and user validation with the objective of achieving the right balance between innovation and risk reduction in the context of overall value for money, and user and public acceptability of the eventual service.

2. The Procurement Process

2.1 In the context of the overall procurement strategy, this procurement forms an initial and major part. The objective is to procure a prime contractor to develop the initial benefit payment application and to provide the main elements of the ongoing Integration and Service Provision based upon a strategic IT infrastructure for POCL. The procurement will have five stages as set out below with indicative timescales.

Stage 1 - Establish Playing Field   (Aug. - Nov. 1994)

2.2 This is the current stage and its objective is to establish that there is sufficient interest and capability from suitable prime contractors to run a full competition in line with the procurement strategy. Potential prime contractors will be assessed and shortlisted on the basis of their Statements of Capability.

Stage 2 - Innovation and Clarification   (Dec. 1994 - Mar 1995)

2.3 The objective of this stage is to assess the viability of the potential prime contractors' approaches by evaluating their detailed proposals for development, technology, service provision, management, resourcing, financial proposals, etc. The stage will be the first step in the contract negotiations and involve the issue of a Statement of Service Requirement document to which service providers will respond by submitting written proposals. The stage will finish with a review of the architecture and standards requirements, taking into account industry input. Shortlisted service providers will be invited to enter into contract negotiations in parallel with mounting their demonstrator programme.

Stage 3 - Contract Negotiation / Pilot Commencement   (Mar. - Sep. 1995)

2.4 The objectives of this stage are to agree draft contracts for the application development and service provision, to develop the tender evaluation model, and to

discuss financial proposals. This stage will involve meetings to discuss the draft contracts and workload scenarios to be used in the evaluation model. Demonstrations of proposed solutions based on a demonstrator programme and reference site visits will occur in parallel with the negotiations. This process is aimed at evaluation and risk assessment of the potential solutions and is part of the overall procurement risk reduction process.

Stage 4 - Evaluation and Selection   (Oct. Dec. 1995)

2.5   During this stage service providers will be asked to submit tenders on the basis of the agreed draft contracts. These will be evaluated, and at the end of the stage the prime contractor will be selected.

Stage 5 - Pilot Operational Trials   (after Dec. 1995)

2.6   Following selection of the prime contractor the operational trials will commence (details of which will have been agreed during Stage 3 Contract Negotiation) to refine and prove the final solution for the IT infrastructure and BA application, to establish the detail of the roll-out programme and associated change management processes. The timescales will be agreed during Stage 3 Contract Negotiation.

ANNEX B - QUESTIONNAIRE

1. SUPPLIER BACKGROUND

Please supply the following:

a) Name, address, telephone number, telex and fax number of company and registered office, with number of years at current address

b) Name and position of the person to whom communication concerning this application should be directed (operational and contractual matters)

c) Brief company history, to include date of formation of business. (If in business less than three years, please state name and address of previous trading company - if applicable).

2. PARENT COMPANY

If the potential prime contractor is a subsidiary please provide details of the parent company, including name, address and latest financial statement. What interest does the ultimate parent organisation and any UK holding company have in your organisation?

3. CONSORTIA

If you are responding as a consortium (or with sub-contractors or subsidiary companies to take on major elements of the work) please provide the names of the consortium companies and organisations, the nature of the relationship between the parties, respective responsibilities, and financial structure.

4. FINANCE

4.1 Where it has not already been provided, please submit for all consortium members the latest available 3 years' audited annual reports and accounts, showing:

- Gross Profit

- Net Profit

- Current Assets

- Current Liabilities

- Expenditure in relation to research and development

4.2   Please provide:

a)   a statement of your annual turnover - as a percentage of the whole - in respect of large-scale information technology development, operation and support services of the kind of which the contract refers,
i. in the UK, and
ii. world-wide;

and

b)   examples of how you have funded large-scale projects where IT development risk and card management risk has been shared between yourself and one or more customers.

5.   PRINCIPAL ACTIVITIES AND PRACTICAL EXPERIENCE

Please state the principal activities of the organisation and the type and range of services offered. In addition please provide an organisation chart detailing:

i. all relevant parts of your organisation

ii. upward reporting lines to the Chief Executive Officer.

6.   EXPERIENCE OF RELEVANT BUSINESS IN THE UK OR ELSEWHERE

What experience and specialist knowledge do you have of relevant IT service provision to the public sector over the last three years, to include central government departments, utilities, and banking and/or retail - include:

a) details of the type of business involved and the services provided

b) an indication of the percentage of your overall business that is attributable to service provision to each area.

7. PROFESSIONAL AFFILIATIONS

Provide details of any relevant professional affiliations which your organisation may have that add value to the provision of services described.

8. QUALITY ASSURANCE

a) Does the company operate a Quality Management System? If so, to which area of your business and does it comply with British Standard 5750 or equivalent certification (Please provide a copy of this certificate).

b) How long has your quality management system been in operation, and by whom and how often is it reviewed.

c) What project management and system development methods and tools are used and how are these integrated with the Quality Management approach.

9. STAFF LEVELS & STAFF TURNOVER

Please provide a statement covering the past three years for the UK and world-wide of:

a) your average annual levels of staff employed on:

i. IT systems development
ii. IT services delivery

b) the numbers of managerial staff covering:

i. IT systems development
ii. IT service delivery

c)   staff turnover, in numerical and percentage terms, for each of the areas specified at a) and b) above.

10.   PROJECT MANAGEMENT AND CONTROL

Outline your proposals and methodologies for project management and control of the systems development. Please state your plans for review meetings.

11.   TRAINING

What training facilities do you have and where are they located?

(End of Questionnaire)