



**Benefits Agency and
Post Office Counters Ltd**
Third Floor
Terminal House
52 Grosvenor Gardens
London SW1W 0AB

29 February 1996

telephone

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 (switchboard)

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 (direct line)
facsimile

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Jim Morley Esq
Programme Director
Pathway Group Limited
Forest Road
Feltham
Middlesex
TW13 7EJ

Dear Sir

**INFORMATION TECHNOLOGY SERVICES AGREEMENT FOR BRINGING
TECHNOLOGY TO POST OFFICES AND BENEFITS PAYMENTS -
INVITATION TO TENDER**

1. INTRODUCTION

1.1 Please find attached the following:

- (a) Annex I, consisting of the Workload Brief;
- (b) the draft Related Agreements consisting of one paper copy of:
 - (i) draft clauses of the AUTHORITIES' Agreement, the DSS Agreement and the POCL Agreement (Version 2.0); and
 - (ii) Schedules 2, 3, A1 to A9, A11, B1 to B5, B7, B8 and C5 of the AUTHORITIES' Agreement, Schedules 2, A1 to A7, A9 to A11, A13, D5, D6, E5 and E6 of the DSS Agreement and Schedules 2, A1 to A7, A9 to A11, A13, B7, D5, D6, E5, E6, F5, F6, G7 and G8 of the POCL Agreement.



- 1.2 You are invited on behalf of the Secretary of State for Social Security ("DSS") and Post Office Counters Ltd ("POCL") (POCL and DSS being referred to collectively as "the AUTHORITIES") to submit your tender for the supply of information technology services as set out in the enclosed draft Related Agreements ("the Tender").
- 1.3 An explanatory memorandum explaining the final changes which have been made in the draft Clauses as a result of comments received from potential tenderers and of internal review will be issued tomorrow, together with a marked-up version of the Clauses showing the changes from the previous version.

2. INSTRUCTIONS TO TENDERERS

- 2.1 You should confirm that, if selected by the AUTHORITIES, and subject to paragraph 4.4 below, you (the "Tenderer") agree to supply the information technology services described in the Related Agreements upon the terms and conditions set forth therein.
- 2.2 You should state the names of the persons duly authorised to execute the Related Agreements on behalf of the Tenderer, and the names of the persons duly authorised to execute the guarantees set out in Schedule A11 of the draft AUTHORITIES' Agreement and Schedule A13 of the draft DSS Agreement and the draft POCL Agreement on behalf of the guarantor previously approved by the AUTHORITIES ("the Guarantor").
- 2.3 Twenty paper copies of your Tender and two electronic copies on disc in Microsoft Word 6.0 for Windows are required, which should be sent to the following address:

Patrick Sedgwick
Post Office Training & Development Centre,
Turneys Drive,
Wolverton Mill,
Milton Keynes,
MK12 5NS

The copies should be sent in a sealed envelope or package with the reference number (94/S 165-58937/EN) clearly indicated on the back.

In accordance with the timetable which has been agreed with all potential tenderers, all copies of the Tender should be delivered not later than 10.00 a.m. on 21 March 1996. Tenders received after this deadline may not be considered.

Facsimile or telex Tenders are not acceptable.

2.4 All paper copies of the Tender must:

- (a) be printed on white A4 paper, single-sided;
- (b) be loose bound in 4-ring A4 binders.

2.5 Each main section of the Tender should start on a new page, and the Tender should be constructed in such a way that any section can be separated from the main body of the Tender.

2.6 Tenders should be in English.

2.7 You should submit:

- (a) your proposed Common Charging Mechanism for Basic DSS Services, Basic POCL Services, Optional DSS Services and Optional POCL Services, including:

- (i) the complete scorecard grid;
- (ii) definitions of each Transaction row in the scorecard, including how the Transactions within the row are to be counted;
- (iii) definitions of each Service component column in the scorecard; and
- (iv) the discount bands and prices per servicepoint applicable to each year of the Related Agreements;

(in relation to OBCS, an Optional Service which may be expected to have a wider impact on the cost of, and Charges for, the Services, you should provide versions of (i) and (iv) above for Services including and excluding the OBCS option);

- (b) your proposed Charges on a time and materials basis for Additional DSS Services and Additional POCL Services;
- (c) your proposed discount to be applied to list prices for Optional Products; and
- (d) your proposed Charges for DSS Consumables and POCL Consumables

in accordance with the provisions of Schedule A6 of the enclosed draft AUTHORITIES' Agreement. A copy of the Workload Brief providing guidance to Tenderers in relation to charging proposals is attached at Annex I. The Workload Brief is intended only as guidance and has no contractual significance.

The AUTHORITIES make no representation or warranty as to the accuracy or otherwise of its contents. Tenderers should also provide a computer spreadsheet (in Excel 5.0 or Lotus 1-2-3 Release 5 format, with guidance notes on its use, if necessary) implementing the Common Charging Mechanism, which can be used to calculate the amounts payable a different transaction volume levels).

- 2.8 You should insert in Schedule B7 of the draft POCL Agreement details of the standard measured terms book referred to there and your proposed reduction or increase to the measured terms.
- 2.9 You should submit in Schedule A9 of the AUTHORITIES' Agreement a statement setting out your formula for the calculation of the compensation payment ("Termination Charge") which is payable to the CONTRACTOR in the event that the AUTHORITIES exercise their option to terminate the AUTHORITIES' Agreement pursuant to Clause 902.6 of the draft AUTHORITIES' Agreement. The Termination Charge is intended to compensate the CONTRACTOR in respect of loss of anticipated profit, unavoidable loss, and, in the event of non exercise of the options set out in Clause 903.1 of the AUTHORITIES' Agreement, recovery of the non-amortised cost of elements of the Service Infrastructure. You should submit in Schedule A7 of the draft DSS Agreement and the draft POCL Agreement a statement setting out your formula for the calculation of the Termination Charge which is payable to the CONTRACTOR in the event that DSS or POCL exercises its option to terminate the DSS Agreement or the POCL Agreement (as appropriate) pursuant to Clause 902.6 of the draft DSS Agreement or the draft POCL Agreement respectively. You should submit in Schedules D6 and E6 of the draft DSS Agreement and Schedules D6, E6, F6 and G8 of the draft POCL Agreement a statement setting out your formula for the calculation of the Termination Charge which is payable to the CONTRACTOR in the event that DSS or POCL exercises its option to terminate a DSS Service or a POCL Service (as appropriate) pursuant to Clause 903.5 of the draft DSS Agreement or the draft POCL Agreement respectively.
- 2.10 You should submit in Schedule A9 of the AUTHORITIES' Agreement a statement setting out your formula for the calculation of the payment ("Transfer Payment") which is payable to the CONTRACTOR in the event that the AUTHORITIES exercise their option in Clause 903.1 of the draft AUTHORITIES' Agreement to acquire software licences and have assigned to them subcontracts and other agreements. You should submit in Schedule A7 of the draft DSS Agreement and the draft POCL Agreement a statement setting out your formula for the calculation of the Transfer Payment which is payable to the CONTRACTOR in the event that DSS or POCL exercises its option in Clause 904.1 of the draft DSS Agreement or the draft POCL Agreement respectively to acquire hardware, software licences and other agreements. You should submit in Schedules D6 and E6 of the draft DSS Agreement and Schedules D6, E6, F6 and G8 of the draft POCL Agreement a statement setting out your formula for the calculation of the Transfer Payment which is payable to the CONTRACTOR

in the event that DSS or POCL exercises its option in Clause 905.1 of the draft DSS Agreement or the draft POCL Agreement respectively to acquire hardware, software licences and other agreements.

- 2.11 Your formulae for Termination Charges should take account of the effect of the AUTHORITIES making any Transfer Payments.
- 2.12 Schedules A6, A10 and A12 of the AUTHORITIES' Agreement and of Schedules A8 and A14 of the DSS and POCL Agreements as completed by you will be incorporated into the draft Related Agreements in the form which has been accepted by the AUTHORITIES. Copies of these Schedules (inter alia) are provided on disc for your convenience.
- 2.13 You should provide the following information about the Tenderer:
- (a) a statement of the position titles of the persons:
 - (i) duly authorised to amend the Related Agreements under Clauses 101.3 and 101.4 thereof;
 - (ii) in the event of a dispute, duly authorised to meet the AUTHORITIES to discuss disputes referred by the contracts steering group pursuant to Clause 807.2 of the draft AUTHORITIES' Agreement;
 - (iii) in the event of a dispute, duly authorised to meet DSS to discuss disputes referred by the contract administration group pursuant to Clause 807.2 of the draft DSS Agreement;
 - (iv) in the event of a dispute, duly authorised to meet POCL to discuss disputes referred by the contract administration group pursuant to Clause 807.2 of the draft POCL Agreement;
 - (v) to whom and the address at which notices should be sent, as set out in Clause 603.3.3 of the draft AUTHORITIES' Agreement and Clause 603.3.2 of the draft DSS Agreement and the draft POCL Agreement;
 - (b) details of any criminal convictions since your response to the AUTHORITIES' letter dated 13 April 1995 enclosing the Statement of Service Requirements ("your Response") in respect of the Tenderer or any of its directors still in office, including convictions under the Companies Act 1985 or any other enactment, order, regulation or similar instrument;
 - (c) any audited accounts of the Tenderer which have been produced since the submission of your Response.

- 2.14 You should ensure that the AUTHORITIES are authorised to obtain an updated financial reference from the Tenderer's and the Guarantor's bankers for the period following the submission of your Response.
- 2.15 You should indicate in a separate submission any assets of the AUTHORITIES or of the Department of Health and Social Services for Northern Ireland which you would wish to acquire for purposes of performing the required services.

3. VARIANT AND ALTERNATIVE BIDS

- 3.1 As explained in the AUTHORITIES' letter to you dated 20 February 1996, and subject to paragraph 4.4 below, Tenderers are expected to submit a Tender which is fully compliant with the Invitation to Tender Documentation enclosed herewith ("the baseline bid").
- 3.2 Tenderers may also offer "risk" variants on the baseline bid. These should conform with the principles of the Common Charging Mechanism, but may show the effect on the price per servicepoint of variations on the allocation of risk under the Related Agreements. For example, a risk variant could show the effect on the price per servicepoint of higher levels of volume guarantee or reduced limits of liability or different boundaries of fraud liability. Each risk variant should identify clearly the effect of each separate variant on the price per servicepoint. Risk variants must still meet the requirements set out in the Requirements Catalogue and the Double Key Requirements Schedule (Schedules B1 and B4 of the draft AUTHORITIES' Agreement respectively) and all other obligations on the CONTRACTOR under the Related Agreements.
- 3.3 Tenderers may also offer a maximum of two alternative tariff structures. Given that it will not be appropriate to discuss these after submission of your Tender, it would assist us if such alternatives are those (if any) discussed with us prior to Tender, or if they are thoroughly and clearly explained. It is highly desirable that Tenderers submit modelling framework(s) as part of their Tender to facilitate evaluation of alternative bids.
- 3.4 All compliant baseline bids will be evaluated. Variant bids and alternative bids as described in paragraphs 3.2 and 3.3 may be evaluated at the sole discretion of the AUTHORITIES, who expressly reserve the right not to evaluate such bids.

4. CONDITIONS OF TENDER

- 4.1 The award of the Related Agreements (if any) will be made to the most economically advantageous Tender on the basis of the evaluation criteria issued

to you on 6 November 1995.

- 4.2 The AUTHORITIES do not bind themselves to accepting the lowest or any Tender.
- 4.3 This letter and all communications relating thereto from or on behalf of the AUTHORITIES are to be held in strictest confidence by the Tenderer.
- 4.4 Tenderers are expected to submit their Tenders on the basis of the terms and conditions of the draft Related Agreements referenced above. Other than as described in paragraph 3 above, any Tender that is subject to additional or alternative conditions or reservations may be rejected in the sole discretion of the AUTHORITIES on the grounds of such variation.
- 4.5 You are advised that nothing herein or in any other communication made between either or both of the AUTHORITIES and any other party, or any part thereof, shall be taken as constituting a contract, agreement or representation between either or both AUTHORITIES and any other party (save as a formal award of contract made by the AUTHORITIES) nor shall they be taken as constituting a contract, agreement or representation that a contract shall be offered in accordance herewith or at all.
- 4.6 A Tender may be rejected if the Tenderer does not furnish all the information required in this letter.
- 4.7 You are also reminded that except as otherwise expressly provided, no notice or other communication to the Tenderer from or on behalf of either or both of the AUTHORITIES shall be valid unless made in writing by or on behalf both of the AUTHORITIES.
- 4.8 No amendments to any of the terms of this letter or to the draft Related Agreements shall be valid unless they have been agreed in writing by or on behalf of the AUTHORITIES and by the Tenderer.
- 4.9 The Related Agreements are draft agreements. They are subject to contract and without prejudice to the AUTHORITIES. The AUTHORITIES reserve the right to re-issue the Related Agreements before the deadline for receipt of Tenders under paragraph 2.3 above in order to correct any errors or omissions in the documentation.
- 4.10 The AUTHORITIES do not accept any responsibility for any pre-contract representations made by them or on their behalf or for any estimates by the Tenderer of resources to be employed in meeting the AUTHORITIES' requirements or for any other assumption the Tenderer may have drawn or will draw from any pre-contract discussions. In the spirit of the Private Finance

Initiative, Tenderers are expected to draw their own assumptions, and are not invited to add to Schedule 3 (Assumptions) of the AUTHORITIES' Agreement at this stage of the procurement process.

- 4.11 Your Tender shall be valid for one hundred and twenty (120) days from the date thereof.
- 4.12 Except as set out below, from the date of this letter no approach relating to this letter should be made by any representative of the Tenderer to any employee or agent of the AUTHORITIES.

Any questions relating to this letter shall be addressed to:

Patrick Sedgwick
BA/POCL Response Unit,
Third Floor, Terminal House,
52 Grosvenor Gardens,
London
SW1W 0AB

Tel:
Fax:

GRO

- 4.13 Tenderers should identify a single contact point for procurement issues and queries about the Tender.
- 4.14 Please acknowledge receipt of this letter in writing to the undersigned and, if the Tenderer intends to submit a Tender, confirm that you will be able to do so by the date stated in paragraph 2.3 above.

Yours faithfully

GRO

**Patricia Kelsey
Head of Procurement
BA/POCL Programme**

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