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Contract

IT services: consulting, software development, Internet and support

Post Office Limited

F20: Modification notice

Notice identifier: 2021/S 000-009753

Procurement identifier (OCID): ocds-h6vhtk-02a2c1

Published 5 May 2021, 6:01pm

Section I: Contracting authority/entity

I.1) Name and addresses

Post Office Limited

London

Email

CVMTeamMailbox@postoffice.co.uk

Country

United Kingdom

NUTS code

UK - United Kingdom

Internet address(es)

Main address

<https://www.postoffice.co.uk>

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

IT services: consulting, software development, Internet and support

II.1.2) Main CPV code

- 72000000 - IT services: consulting, software development, Internet and support

II.1.3) Type of contract

Services

II.2) Description

II.2.3) Place of performance

NUTS codes

- UK - United Kingdom

II.2.4) Description of the procurement at the time of conclusion of the contract:

This Notice relates to a Modification to a Contract in accordance with Regulation 72(1)(b) of the Public Contracts Regulations 2015. Post Office Limited ("Post Office" or "the Authority") entered into an agreement with Fujitsu Services Limited ("Fujitsu Services") dated 28th July 1999 ("Horizon Agreement") for the provision of certain services, including services in respect of the HNG-X system ("Services"). The Horizon Agreement is due to expire on 31st March 2023 . In order to prepare the Horizon Agreement for expiry and in order to receive transitional support from Fujitsu Services following such expiry, the Horizon Agreement will be extended for a term of an additional one year to 31st March 2024, with the option of one additional year (as requested by Post Office).

The contract modification addressed by this Notice is for the provision of additional application and service management, maintenance, development and support services under an existing software and IT services agreement relating to Point of Sale/Service ('POS') customer facing transactions across multiple channels.

For a number of significant technical and economic reasons, a change of contractor would cause significant inconvenience and substantial duplication of costs for the Authority. The estimated value of the additional services under the modification is £21,500,000 GBP per year for up to two years.

II.2.7) Duration of the contract, framework agreement, dynamic purchasing system or concession

Duration in months

24

Section IV. Procedure

IV.2) Administrative information

IV.2.1) Contract award notice concerning this contract

Notice number: [2021/S 000-009752](#)

Section V. Award of contract/concession

Contract No

N/A

V.2) Award of contract/concession

V.2.1) Date of conclusion of the contract/concession award decision:

30 April 2021

V.2.2) Information about tenders

The contract/concession has been awarded to a group of economic operators: No

V.2.3) Name and address of the contractor/concessionaire

Fujitsu Services Limited

London

Country

United Kingdom

NUTS code

- UK - United Kingdom

The contractor/concessionaire is an SME

No

V.2.4) Information on value of the contract/lot/concession (at the time of conclusion of the contract;excluding VAT)

Total value of the procurement: £42,500,000

Section VI. Complementary information

VI.3) Additional information

The most recent modification to the contract was in 2016, contract notice 2016/S 040-064427, and modification notice 2016/S 040-064434.

VI.4) Procedures for review

VI.4.1) Review body

Royal Courts of Justice

London

Country

United Kingdom

Section VII: Modifications to the contract/concession

VII.1) Description of the procurement after the modifications

VII.1.1) Main CPV code

- 72000000 - IT services: consulting, software development, Internet and support

VII.1.3) Place of performance

NUTS code

- UK - United Kingdom

VII.1.4) Description of the procurement:

Continuing provision of application and service management, maintenance, development and support services under an existing software and IT services agreement relating to Point of Sale/Service ('POS') customer facing transactions across multiple channels.

Modification will include inclusion of termination services to assist exit and transition to new supplier(s), including the exit of Datacentre Services, Network Services and shift of other

services will be effective following issue of termination notice (planned to occur prior to March 2023).

VII.1.5) Duration of the contract, framework agreement, dynamic purchasing system or concession

Duration in months

24

VII.1.6) Information on value of the contract/lot/concession (excluding VAT)

Total value of the contract/lot/concession:

£42,500,000

VII.1.7) Name and address of the contractor/concessionaire

Fujitsu Services Ltd

London

Country

United Kingdom

NUTS code

- UK - United Kingdom

The contractor/concessionaire is an SME

No

VII.2) Information about modifications

VII.2.1) Description of the modifications

Nature and extent of the modifications (with indication of possible earlier changes to the contract):

The following key amendments will be made to the Horizon Agreement:

Extension period:

Additional period of up to twenty-four months post-31st March 2023 to assist transition of services as per description below.

Services during the extension period:

- o In line with the development and modernisation of the HNG-X system, on-premises hosting and data centre operations services and central network services will not be extended and will expire on 31 March 2023 (to be replaced by a separately procured cloud hosting solution). It is anticipated that Post Office will exercise its existing rights in the Horizon Agreement to terminate these services prior to that date and that amendments will need to be made to the ongoing operational services to reflect this change.

- o Certain digital development services and Post Office's obligation to purchase the services of a standing team of IT developers will also expire on 31 March 2023.

Financial matters:

Certain financial matters, and in particular relating to charges, financial savings and spend commitments, will be amended to reflect the above changes in the scope of service.

Arrangements for exit:

- o A process will be added to facilitate access to specified Fujitsu intellectual property so as to assist the Post Office on its development and modernisation of the HNG-X system and exit from the Horizon Agreement.

- o A structured process will be added for addressing the replacement of end of life hardware and software components.

- o As part of the transitional support, Post Office has requested that Fujitsu Services provides certain termination services and cooperation to facilitate the orderly transfer of responsibility to a new supplier(s).

VII.2.2) Reasons for modification

Need for additional works, services or supplies by the original contractor/concessionaire.

Description of the economic or technical reasons and the inconvenience or duplication of cost preventing a change of contractor:

This notice relates to the modification of an existing contract that has been necessary due to the following reasons.

The existing Horizon system is a highly complex, legacy platform, written in outdated

versions of software languages, and incorporates five 'systems' in one i.e. financial services, banking, government services, mails, and retail. "Horizon" is an aging platform, and has an inflexible monolithic architecture that makes technology change difficult. It was not designed for multi-channel digital operations.

The services cannot for economic and technical reasons be provided by a contractor other than the original contractor before the expiry of the Horizon Agreement because of the specific interoperability requirements and the highly complex nature of the existing infrastructure and the Post Office's business model and operating procedures. A change of contractor would result in disproportionate technical difficulties in implementation as well as operation and maintenance. Awarding the contract to a different contractor would also cause significant inconvenience in terms of service delivery, reliability, and continuity of service, not least because of risk of incomplete transfer of know-how. Changing the original contractor would result in a number of sunk costs, including an increase in run costs, dual running costs, and additional exit/transition costs for a 2-year service term.

There would also be significant service risk as a result of engaging in two transitions of service provider within the relatively short time period of 2-3 years whereas an extension with the original contractor would just require one such transition.

In summary, a change of contractor cannot be made for technical or economic reasons and would cause substantial inconvenience and duplication of costs for the Post Office in accordance with Regulation 72(1)(b) of the Public Contracts Regulations 2015. The increase in price as a result of the modified contract is less than 50 % of the original contract value.

VII.2.3) Increase in price

Updated total contract value before the modifications (taking into account possible earlier contract modifications, price adaptations and average inflation)

Value excluding VAT: £2,280,000,000

Total contract value after the modifications

Value excluding VAT: £2,322,500,000