

Gloucester City Council

Meeting:	Cabinet	Date:	15 January 2014
	Organisational Development Committee		21 January 2014
	Council		23 January 2014
Subject:	BT&T Service Review – IT Managed Service Partnership		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	Yes
Contact Officer:	Gill Ragon		
	Email: gill.ragon@gloucester.gov.uk	Tel:	396321
Appendices:	None		

1.0 Purpose of Report

- 1.1 To update members on the strategic partnership proposal for the IT service delivery and to approve the commencement of the contract with Civica UK Limited (Civica).

2.0 Recommendations

- 2.1 The ICT Working Group and Organisational Development Committee are asked to consider the information contained in the report and make any recommendations to the Cabinet and Council.
- 2.2 Cabinet is asked to **RECOMMEND** that
- (1) The proposals for the future delivery of the IT Service by Civica UK Ltd, to include the transfer of staff from the City Council to Civica UK Ltd for a period of six years with an option to extend for 2 years if agreeable to both parties, commencing 1st March 2014 or as soon as possible thereafter, subject to the formal conclusion of contractual arrangements.
- 2.3 Council is asked to **RESOLVE** that
- (1) The proposals for the future delivery of the IT Service by Civica UK Ltd, to include the transfer of staff from the City Council to Civica UK Ltd for a period of up to six years with an option to extend for 2 years if agreeable to both parties, commencing 1st March 2014 or as soon as possible thereafter, subject to the formal conclusion of contractual arrangements.
- (2) Authority is delegated to the Corporate Director of Resources and Head of Legal and Democratic Services, in consultation with the Cabinet Member for Performance and Resources, to conclude and enter into all the required legal and commercial arrangements for the contract to take effect.

3.0 Background and Key Issues

- 3.1 Members will be aware of the process underway to review and transform the Council's approach to providing our IT Service and to deliver necessary budget savings.
- 3.2 Last year on 12th June, Cabinet approved the proposal to embark on process of tendering for the IT Service on the Government Procurement Service Framework agreement for an IT Managed Service.
- 3.3 Using the framework document an ITT (Invitation to Tender) was developed and was emailed to all suppliers on the framework on 30 July 2013 and then published on the Government Procurement Service website on 6th August 2013.
- 3.4 The specification in the ITT included details of our current service so that anyone wishing to tender would know the scale and type of service that they would be expected to supply. In addition to the managed service we also requested 300 project days for the management and delivery of IT projects.
- 3.5 Details of our main sites were provided and we set out the objectives of our managed service as:
- Agile
 - Robust
 - Proactively Managed
 - Secure
 - Proactively Supported
 - Environmentally Friendly.
- 3.6 In addition regarding a Service Level Agreement we asked suppliers to consider the following:
- Penalties
 - Service Credits
 - Escalation
 - Rout to termination.
- 3.7 Suppliers were also asked to include:
- Support for VIP which included Councillors and the Senior Management Team of the Council and the democratic service of the Council from 7am to midnight 7 days a week.
 - There will be a likely requirement for additional support on certain evenings and weekends and especially during elections, these will be requested 5 calendar days in advance.
- 3.8 Suppliers were asked to price for the service against 3 different core hour options to see if there was a price difference. The options requested were:

- 7am – 7pm Monday to Friday (core hours) excluding bank holidays, with the exception that an on-site presence will be maintained by the supplier during this operating period.
- 8am – 6pm Monday to Friday (core hours) excluding bank holidays, with the exception that an on-site presence will be maintained by the supplier during this operating period.
- 8am – 5pm Monday to Friday (core hours) excluding bank holidays, with the exception that an on-site presence will be maintained by the supplier during this operating period.

- 3.9 A supplier day was held on 8th August 2013 for suppliers to attend and ask questions and points of clarification. This was attended by Steria, Capita and Civica. A period of 5 weeks from 30 July was allowed for interested suppliers to submit tenders.
- 3.10 An evaluation team was set up to review the tender documents. Membership included the Chief Executive, the Director of Resources, the BT&T Service Manager, Customer Services Service Manager, representatives from GCH, Head of Legal Services and the Head of Public Protection.
- 3.11 Only one tender was received and this was reviewed by the evaluation team. After some initial clarification questions on the 25th September it was agreed that we would name Civica UK as the preferred supplier but with the clear objective of entering into further negotiations and with no promise of reaching an agreement.
- 3.12 Further negotiations have been ongoing since this time.
- 3.13 Civica UK have now submitted a revised tender to provide an IT managed Service based on the 'as is' service for £575,000 per annum over a 6 year term. This price includes 300 project delivery days per year in addition to the managed service over the duration of the project.
- 3.14 The current IT Service staffing cost is £739,000. This includes the cost of existing staff and contractors covering posts that the service has been unable to fill which is mostly covered by the staffing budget. The remainder has been supported by an annual capital budget. Based on the Civica tender and taking into account the cost of internal staff employed to oversee the contract (£64,000) we will immediately deliver around £100,000 savings per annum. In addition to this it is proposed that Civica will manage a number of our 3rd party contracts, this includes our software and infrastructure providers, on which they have agreed to deliver an extra £15,000 to £30,000 savings for us each year during the life of the contract.
- 3.15 In addition to these savings Civica have drawn up a pricing regime that is flexible and will be varied if the number of users in the Council changes. They have drafted 2 approaches that will apply, one for small scale reductions / increases in numbers and another for larger 'bulk' reductions / increases. This approach means that the amount we pay will regularly be reviewed and we will only be paying for the actual number of users we have. This was considered important as if GCH move to the COCO model they will no longer want to purchase their IT service from the City Council. The final version of this will be agreed as part of the final contact.
- 3.16 Within the tender document Civica have accepted the principle of service days and penalties. These will be fully set out in the contract and will detail the service levels

to be provided, as well as key performance indicators that will be monitored. The principles that will be followed are that for minor failures, for example achieving only 90% for a KPI that has been set at 92% service credits will be awarded and for more major failures for example a whole service is without IT for a number of days due to the Suppliers actions or inactions then a financial penalty would be paid in addition to Service Credits. In addition if the failure was deemed to be so serious the contract will allow us to terminate the contract and seek damages from the Supplier.

- 3.17 Our existing IT Service has reduced in size over the years and is now very lean. To reduce the service any further to deliver savings would impact the current level of service that we receive. By outsourcing the service level will be preserved but will be delivered differently. As well as delivering savings moving to an outsourced service for IT will give us greater resilience and an increased pool of resources for this specialist area of work and will give us access to off-site services such as Data Centres.
- 3.18 Negotiations are continuing and the contract is being drafted. In order that this can be proceeded with as soon as possible and the savings realised, members are asked to agree to delegated authority being given to the Corporate Director of Resources and the Head of Legal Services and Policy Development, in consultation with the Cabinet Member for Performance and Resources, to sign up to a contract with Civica UK for the IT Managed Service.

4.0 Alternative Options Considered

- 4.1 Retain the in house service. This is not an option due to the costs and lack of resilience.
- 4.2 Shared service – currently there is not a suitable option available to join that would deliver the savings required. This was considered in the Cabinet Report of 12 June 2013.
- 4.3 Re-tender to see if more suppliers would be interested a second time around. This is not considered appropriate. This tender will deliver us £100,000 savings on staffing costs alone. Any retendering would be expensive and delay the realisation of the savings and realistically is unlikely to deliver much greater savings.

5.0 Reasons for Recommendations

- 5.1 This contract will deliver £100,000 savings per year on our current IT staffing costs with additional savings being delivered through management of our 3rd party contracts. This could not be achieved if the service remained in house.
- 5.2 The contract will be based on the schedules that form part of the Government Procurement Service framework agreement for RM 717 and will include agreed key performance indicators that will set the standard of service provided
- 5.3 The contract and its associated schedules will provide service assurance in the form of:
- Service Level Agreements
 - Key Performance Indicators

- Contractual terms
- The ability to apply penalties/service credits.

- 5.4 It is proposed that the contract is awarded for a period of six years commencing on 1st March 2014, or as soon as possible thereafter, subject to the conclusion of the legal/contractual arrangements.
- 5.5 In addition to the outsourced IT Managed Service it is proposed to retain a Business Analyst and a Contract Manager in house. The Business Analyst will be responsible for ensuring that our IT service is appropriate for our business needs and will be a crucial link between the service users and the service provider. Where as the Contract Manager will ensure that good relationships between all parties are maintained and that the service is delivered in accordance with the Contract, Service Level Agreements and Key Performance Indicators. These costs have been taken into account with the savings being projected.
- 5.6 As part of the proposed arrangements, all transferring staff will transfer to Civica under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). This means that current terms and conditions and service tenure will be protected. Civica already have admitted body status for pensions purposes with Gloucestershire County Pensions and HR will be checking to see if this can be extended or if a new agreement is required for this contract for staff transferred under this contract to enable the employee's pension arrangements to continue 'as is'.
- 5.7 Negotiations and drawing up the contract are, as indicated in 3.10 above, ongoing. It is hoped that these will be completed in order for the contract to commence in March. In order that the contract can be entered into to deliver savings as soon as possible delegated authority is requested for the Corporate Director of Resources and Head of Legal Services and Policy Development to enter into a contract with Civica UK for the delivery of the IT Managed Service.

6.0 Future Work and Conclusions

- 6.1 To finalise negotiations with Civica UK and agreed to the terms of the IT Managed Service Contract in accordance with the schedules from RM 717.
- 6.2 Between now and the commencement of the formal arrangements, there is the need to conclude the due diligence and legal documentation and schedules to support the contract.
- 6.3 Council is asked to delegate authority to the Corporate Director of Resources and Head of Legal and Policy Development, in consultation with the Cabinet Member for Performance and Resources, to conclude and enter into all the required legal and commercial arrangements for the contract to take effect.

7.0 Financial Implications

- 7.1 Outsourcing the IT Managed Service will deliver around £100,000 savings per year. This is after the cost of staff employed to oversee the contract are deducted.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 Legal Services have been fully involved in this procurement process and will have the final say over the content of the contract.
- 8.2 The Council has the power, under Section 111 of the Local Government Act 1972, to do anything which is calculated to facilitate, or is conducive or incidental to the discharge of any of its functions, and this includes the power to enter into contracts for the discharge of any of its functions.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 By using RM 717 the Government Procurement Service (GPS) template for an IT Managed Service the level of risk is significantly reduced. All the Suppliers on RM 717 have completed the pre-qualification questionnaires for the GPS.
- 9.2 There is a risk that the contract will not be fit for purpose. Again this risk is mitigated by using schedules drawn up by the GPS for RM 717 IT Managed Service. In addition to careful drafting of the detail this risk is significantly reduced.

10.0 People Impact Assessment (PIA):

- 10.1 Although staff will be transferred with any contract all will come under TUPE regulations and therefore discrimination will not be an issue. In addition as procurement has been done under the Government Procurement Service framework RM 717 our preferred supplier has met the Government requirements for equality before being admitted as a supplier for RM 717.
- 10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

- 11.1 None

Sustainability

- 11.2 None.

Staffing & Trade Union

- 11.3 Staff have been kept informed of the proposals throughout this exercise and will be consulted once any agreement has been reached. TUPE will apply to current staff.

Background Documents: RM 717 Framework for IT Managed Service.
Cabinet Report 12 June 2013.
Gloucester City Council ITT for an IT Managed Service.
Civica tender submission.