

Meeting:	Cabinet	Date:	13 October 2021
Subject:	ICT Services: Options Report		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	No
Contact Officer:	Bob O'Brien, Transformation and Commercialisation Manager		
	Email: bob.o'brien@gloucester.gov.uk	Tel: 396110	
Appendices:	1. Financial Appraisal (confidential)		

EXEMPTIONS

The Report is available for General Release. However, the Appendices to the report contain commercially confidential financial information.

The public are likely to be excluded from the meeting during consideration of any of the information contained in the appendices to the report as they contain exempt information as defined in paragraph (3) of schedule 12A to the Local Government Act 1972 (as amended).

1.0 Purpose of Report

- 1.1 To make recommendations for the delivery of ICT services beyond the current contract end date of 30 April 2022.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

- (1) the assessment and analysis set out in this report be received and noted
- (2) the option to procure the services via a compliant framework agreement be taken forward as the preferred option
- (3) Gloucestershire County Council be thanked for their co-operation in reviewing the shared service option
- (4) delegated authority be given to the Head of Policy and Resources (in consultation with the Cabinet Member for Performance and Resources and the Council Solicitor) to determine procurement route, contract duration, conclude contractual negotiations, and implement these decisions.

3.0 Background and Key Issues

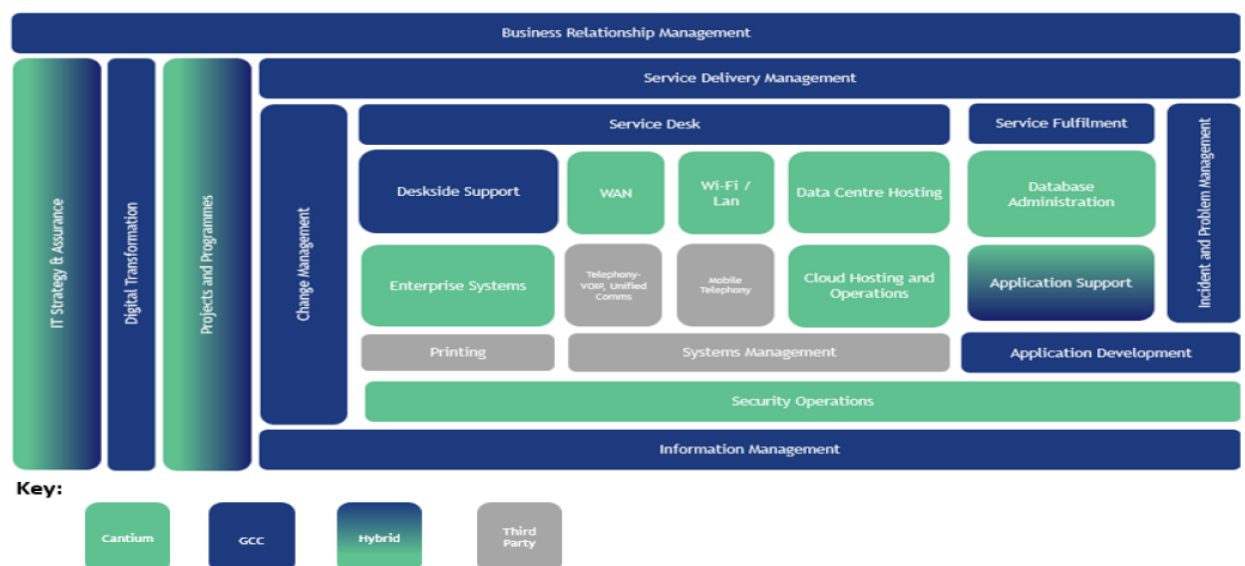
- 3.1 The Council's contract for ICT Services comes to an end on 30 April 2022.

- 3.2 In the summer of 2019 the Council entered discussions with Gloucestershire County Council to explore the possibility of a shared service. On 1 December 2020 a 13 month extension was agreed with Civica to align with the end date of the County Council's Enterprise Support agreement and allow time for the shared service design to develop.
- 3.3 By Spring 2021, the shared service design and cost model was not sufficiently developed to provide certainty to the City Council about service continuity and cost, so it was agreed that alternative options would be explored and assessed in parallel.
- 3.4 Gloucestershire County Council were advised that we'd need the necessary information to make an informed decision by 31 August 2021. We did not prescribe a format for the response, but we did request that it indicated how a shared service would deliver the required services (eg service description or service model) and set out the cost model for those services.
- 3.5 Extra time was requested and a full response was received by w/c 13 September 2021 with subsequent clarifications. It included a high level service description and associated cost model.
- 3.6 The response has been reviewed by Council Officers and is outlined in section 4.

4.0 Options considered

4.1 Option A – Shared service with Gloucestershire County Council

- 4.2 The Work Smarter Digital Board at Gloucestershire County Council outlined a blended Target Service Model (see diagram below).



- 4.3 This comprised core services delivered via an in-sourced shared service team underpinned by an outsourced Enterprise Support. There are a number of options for the delivery of supporting Projects and Portfolio services, so these services have been set aside as any associated costs will be incurred in any future arrangement.

4.4 Options B - New arrangement via a compliant framework

4.5 Enquiries indicate that the services can be obtained via the following framework agreements:

- Crown Commercial Services Technology Services 3
- Kent Commercial Services – Software and Services Framework

For the purposes of this options appraisal we have assumed that we would be able to achieve services within the same cost envelope of our existing service and have begun an appraisal exercise to verify this assumption.

4.6 Option C - Open market

4.7 The option to procure services on the open market was dismissed because:

- This national procurement process is likely to take 12 months and will consume significant resource for the Council
- The cost of change is likely to be higher than the other options considered due to increased procurement costs and the likely need to employ a suitably qualified and experienced Project Manager
- There is a risk that key talent exits before transfer from Civica to the new provider

4.8 Option D – Bring services in house

4.9 This option remains a possibility, but is recommended to be dismissed because:








- Cost uncertainty: There is a risk that costs would exceed that of the other options considered due to marginally higher overhead costs and costs incurred for LGPS pension contributions.
- Untested solution: The in house option is untested.
- Service quality: There is a risk to service quality because of reduced access to industry expertise (current and future arrangements in the other options considered all involve an element of continued access to technical specialists). There is also a risk of key talent exiting before transfer.

5.0 Financial and Non-Financial Appraisal

5.1 This section considers the financial and non-financial components of Option A (Shared service with Gloucestershire County Council) in order to inform the recommendations in this report.

5.2 The shared service offers an enhanced service desk, bringing application support into the wider service management function, and outlines future opportunities to reduce costs or enhance services. As these will all require further exploration and may attract initial costs, they have been set aside for comparative purposes. It provides flexibility for business partnering and portfolio services, but that also leaves some uncertainty about how the City Council maintains the autonomy, agility and flexibility it has enjoyed in recent years regarding joint development of strategy and project and programme delivery. It also offers the option of transferring some contract management into the shared service that currently sits outside the core service where it makes sense to do so.

- 5.3 The table below summarises our assessment of the shared services option based on the proposal, supporting documents, and findings. The Financial Appraisal is detailed in Appendix 1 and considers the financial implications of a shared service arrangement when compared to the existing contract costs. It compares the Net Present Value (NPV) over 5 years and considers the budget implications against current budget forecasts. The Non-Financial Appraisal summary highlights matters that are not financially quantifiable but should be considered when assessing options for future service delivery. To help assess the viability of the shared service option we have assigned a RAG Rating (Red, Amber, Green) as follows:
- **Green** - Low risk / low potential to have a negative impact or may result in a benefit to the Council.
 - **Amber** - Medium risk / medium potential to have a negative impact to the Council;
 - **Red** - High risk / high potential to have a negative impact to the Council.

Summary of Financial and Non-Financial Appraisal		
#	Item	A: Shared Service
Financial Appraisal		
FA 1	Financial implications - NPV after adjustments (over 5 years)	Appendix 1
FA 2	Budget implications	Appendix 1
Non-Financial Appraisal		
NFA 1	Ongoing price certainty	
NFA 2	Cost transparency and control	
NFA 3	Robustness of proposal pricing	
NFA 4	Governance and flexibility	
NFA 5	Risk to service delivery	
NFA 6	Social value	
NFA 7	Innovation	

- 5.4 A financial appraisal can be found at Appendix 1.
- 5.5 **From a non-financial perspective**, the key factors contributing to the above assessment are as follows:
- (1) **Ongoing price certainty** – The shared service cost assumptions are based on a number of variables that could significantly alter the costs presented. It is considered that greater price certainty could be achieved through a fixed price arrangement via a compliant framework
 - (2) **Cost transparency and control** – A shared service would give the Council a greater degree of transparency when it comes to costs and the potential to exert a greater degree of control over costs and business operation, although this is dependent on the detailed service management and governance structure reflecting the high-level commitments. A new arrangement with a private sector business would not afford that same level of transparency and control unless detailed contractual provisions are put in place and are strictly managed over the course of the contract.

- (3) **Robustness of proposal pricing** – The shared service cost model is an estimate of cost and subject to further due diligence. Some of the core service pricing assumptions, for example, are based on an estimated share of the current Enterprise Support Services contract and would require a more detailed analysis of the City's existing service provision as part of the upcoming Enterprise Support Services procurement exercise. This has been mitigated to some extent by the City Council being able to provide information about budget history, services and contracts, and Gloucestershire County Council's recent experience of transitioning away from their previous ICT services supplier and into a new blended arrangement of outsourced Enterprise Support and insourced Service Management. However, extensive due diligence would still need to be undertaken to provide greater confidence in the robustness of pricing.
- (4) **Governance and flexibility** – A shared service model is capable of providing acceptable governance and flexibility, but detailed proposals on this are yet to be confirmed to provide these assurances. There are some high-level commitments regarding representation on SLT and Programme Boards, but more work is needed to provide assurances that all parties to the shared service would have appropriate influence, governance, flexibility and autonomy.
- (5) **Risk to service delivery** – There is a risk to the Council that transition to a shared service could disrupt service and project delivery, particularly with such tight timescales. It is acknowledged that "County Council services are in a period of embedding and maturing and that [County's] commitment is to provide a good service, immediate quality may be affected by this."
- (6) **Social value** – Gloucestershire County Council outlined that the Enterprise Support Services procurement would include an assessment of potential suppliers' ability to deliver against their social value and climate change policies. There was also an expectation that there would be "agreed internal commitments to key social values" for the in-sourced element (eg employment opportunities, educational needs, environmental impacts).
- (7) **Innovation** – Gloucestershire County Council set out an initial 12 month period of service transition and stabilisation before future opportunities are explored. However, this still has the potential to deliver economies of scale as part of the Enterprise Support Services procurement exercise. Future financial savings opportunities include rationalisation of licensing and hardware (retire infrastructure, move to cloud, device refresh alignment) and standardisation of technologies. Perhaps of most interest is the ability to develop Product Management capability across the insourced shared service function to drive value out of digital investments. The opportunity for greater collaboration across the shared service organisations through tools like Office 365 and Teams was also highlighted, but the City Council are already well-advanced with rollout and adoption of these tools, so gains are likely to be marginal.

5.6 At this point it is considered that transition to a shared service with Gloucestershire County Council would require significant additional effort and due diligence to improve cost certainty, reduce the risks to service transition, and agree detailed governance arrangements.

6.0 Social Value Considerations

6.1 The Social Value considerations are discussed in section 5.

7.0 Environmental Implications

7.1 There are no environmental implications as a result of this report.

8.0 Alternative Options Considered

8.1 These are considered in main body of this report.

9.0 Reasons for Recommendations

9.1 The recommendations set out in the main body of this report reflect the conclusions of this options appraisal process and assessment by Officers.

10.0 Future Work

10.1 On approval of the recommendations in this report, the Council will need to determine the procurement route and associated actions outlined in the recommendations. On transition to a new arrangement, a detailed transition and mobilisation plan will need to be implemented.

11.0 Financial Implications

11.1 Confidential 'Appendix 1: Financial appraisal' details the financial and budget implications.

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

12.0 Legal Implications

12.1 Procurement via an established framework agreement is permitted by the Public Contract Regulations 2015. The framework owner will have been required to carry out a fully compliant procurement exercise when setting up the framework.

12.2 If the Council wishes to consider utilising one of the frameworks referred to in paragraph 4.5 it should establish that it is one of the bodies identified as being able to access the framework. The usual assumption is that all capable suppliers on a framework should be invited to tender. If the Council wishes to make a direct award without competition it should ascertain that the relevant framework's rules permit this.

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

13.0 Risk & Opportunity Management Implications

13.1 Key risks and opportunities are discussed in the main body of the report.

14.0 People Impact Assessment (PIA) and Safeguarding:

- 14.1 A PIA Screening Stage will be undertaken to identify any potential or actual negative impact and a full PIA will be completed if required.

15.0 Community Safety Implications

- 15.1 None.

16.0 Staffing & Trade Union Implications

- 16.1 None.

Background Documents: None