

Meeting:	Cabinet	Date:	4 May 2022
Subject:	ICT Services: Options Report		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

The Report is available for General Release.

1.0 Purpose of Report

- 1.1 To ensure continuation of ICT services beyond the current contract end date of 30 April 2022 and make recommendations for future provision.

2.0 Recommendations

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

- (1) the content of this report be received and noted
- (2) the option to 'do nothing' be dismissed
- (3) the option to procure on the open market be dismissed
- (4) ICT services be moved to an in-house provision at the earliest opportunity, whilst a review of viable options for long term delivery of ICT services is undertaken, to consider:
 - (a) Joining an existing Local Authority services ("Teckal") company or a shared service
 - (b) Bringing the services in-house
 - (c) Procurement via a compliant framework
- (5) delegated authority be given to the Director of Policy and Resources (in consultation with the Cabinet Member for Performance and Resources and the Council Solicitor) to implement these decisions and the outcome of the review of viable options.

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 Following a comprehensive options appraisal, on 13 October 2021 Cabinet **RESOLVED** that:

- (1) The assessment and analysis set out in [that] report [was] received and noted.
- (2) The option to procure the services via a compliant framework agreement is taken forward as the preferred option.
- (3) Gloucestershire County Council are 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.

3.4 By January 2022, a compliant framework had been selected and negotiations were at an advanced stage to enter into a new arrangement with Civica UK Ltd; the service descriptions, annexes, and terms and conditions had been reviewed and agreed in principles by both parties.

3.5 In February 2022, Civica unexpectedly withdrew from the process following an internal review, leaving future arrangements for Gloucester City Council's ICT service uncertain. Civica have indicated that they are willing to extend the existing ITO arrangement while we find an alternative option.

3.6 An extension to the existing ITO arrangement for a period of up to 18 months is in the process of being agreed with Civica. This will allow time to review options and enable a managed exit; a 3-month notice period has been built into the extension to allow the Council to exit when ready.

4.0 Options considered

4.1 Option A – do nothing

4.2 Doing nothing is not a realistic option as services would default to transitioning to a new arrangement in an uncontrolled way. This could result in a costly and disruptive transition.

4.3 Option B - Joining an existing Local Authority services ("Teckal") company or a shared service

4.4 It is recommended that the possibility of joining an established Local Authority "Teckal" company arrangement or shared service is considered alongside other options. No procurement would be required and there could be benefits to be had from working alongside other councils whilst retaining a high degree of control.

4.5 Option C - Open market

4.6 This option was previously dismissed because:

- This national procurement process is likely to take 12 months or more 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

4.7 For these reasons and the fact that this option would take the longest to implement, it is recommended that this option is dismissed.

4.8 Option D – Bring services in house

4.9 This option was previously considered to be a possibility but was dismissed due to cost uncertainty (mainly due to higher overheads and LGPS pension contributions), service quality (concern that in-house arrangements risked limiting access to industry expertise), and the fact that it was an untested solution. Considering Civica's decision to withdraw from the process, it is recommended that this option is now revisited and explored in more detail.

4.10 Since Civica withdrew from entering into a new arrangement with the Council, it has become increasingly clear that the advantages of remaining in a relationship with Civica for core ICT services are no longer there; there is clear movement away from IT outsourcing and a pivot towards software services. During the extension period, ICT provision will be mostly met by the local Civica team assigned exclusively to the Gloucester account and third line expertise will increasingly rely on third parties. This has the potential to cause resource issues and results in the erosion of contract expertise over time. Each engagement with a third party will also incur overhead charges.

4.11 Therefore, it is recommended to move to an in-house solution at the earliest opportunity whilst we continue to assess the best way to provision ICT services in the long term.

4.12 Option E – New arrangement via a compliant framework

4.13 Enquiries in autumn 2021 indicated that the services could be obtained via the following framework agreements within the same cost envelope of our existing service:

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

4.14 Subsequent work has verified this assumption and so this option remains viable and should be explored further.

5.0 Social Value Considerations

5.1 These will be considered as part of the subsequent options appraisal work.

6.0 Environmental Implications

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

7.0 Alternative Options Considered

7.1 These are considered in main body of this report.

8.0 Reasons for Recommendations

8.1 To ensure continuity of services post 30 April 2022.

8.2 To allow time to revisit the options available for future delivery of ICT services.

8.3 To transition to new arrangements in a controlled way that minimises the risk of disruption to services.

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

9.0 Future Work

9.1 An extension to the existing ITO agreement of up to 18 months is in the process of being agreed. This will allow time to transition services to an in-house arrangement in a controlled way whilst long term options for the future delivery of ICT services (as outlined in the main body of this report) are explored in detail.

10.0 Financial Implications

10.1 There are no direct financial implications as a result of this report.

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

11.0 Legal Implications

11.1 The Public Contracts Regulations 2015 allow for an extension of the contract on the basis that the Council's inability to procure a new provider is not of its own making i.e. it "has been brought about by circumstances which a diligent... authority could not have foreseen;"

11.2 In addition:

- (i) the extension should not alter the overall nature of the contract: there must be no significant departure from the existing contract terms; and
- (ii) the price of the extension must not exceed 50% of the value of the original contract.

11.3 The council will need to publish a notice advising of its intention on central government's Contracts Finder website and, if that expires without challenge,

formally vary the contract to extend its term. This can be accomplished by a deed of variation or the contract's own change procedure.

11.4 If the Council procures a service using a framework it will have to abide by that framework's rules in regard to selecting a supplier and utilise the framework's terms and conditions and other documentation.

11.5 Utilising a "Teckal" company to obtain the services would require the Council to join as a shareholder with the accompanying governance responsibilities. A shared service, while not being subject to the companies regime, would still require a formal agreement setting out the Council's and other parties' rights and responsibilities such as payment, service levels and governance.

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

12.0 Risk & Opportunity Management Implications

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

13.0 People Impact Assessment (PIA) and Safeguarding:

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

14.0 Community Safety Implications

14.1 None.

15.0 Staffing & Trade Union Implications

15.1 TUPE will apply when services are brought in-house. Full implications will need to be explored before notice is given to exit the Civica extension.

Background Documents: None