

MUNICIPAL YEAR 2013/2014 REPORT NO. **182**

**MEETING TITLE AND DATE:**

Cabinet 12th February 2014

**REPORT OF:**

Director of Finance, Resources &  
Customer Services

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<b>Agenda - Part: 1</b>	<b>Item: 10</b>
<b>Subject:</b> Future ICT Delivery	
<b>Wards:</b> Not applicable KD 3708	
<b>Cabinet Member consulted:</b> Councillor Andrew Stafford	

**1. EXECUTIVE SUMMARY**

1.1 The Council let a five-year outsourced ICT Support contract in 2010 with Serco Solutions with an option to extend if appropriate for up to four years.

Whilst the commercial position at the time of contract award represented best value, extensive analysis shows additional savings can now be achieved, by reviewing the terms of the contract (in accordance with the contract terms) or undertaking a new procurement.

1.2 In September 2013, Strategic Transformation Board authorised a review to inform the next steps.

Following a 14 week period, a final proposal was submitted by Serco on 17 January 2014.

1.3 **Summary of Serco proposal**

The key features of the Serco proposal are:

1.3.1 **A continuation of the existing operational contract.** This secures the ICT core services operation for the next 5 years

1.3.2 **More for less.** See Part 2 Report

1.3.3 **Platform for further cost reduction:** The contract allows for continual review of volumes and scope of services, with further significant savings which can be delivered through reducing demand and switching services off.

1.3.4 **Enhanced Strategic relationship management approach and governance process** (see section 5)

1.3.5 **Agile project development and management** (see section 5)  
**Platform for ICT transformation:** This contract provides a solid platform to build the new architecture and services that the Council requires to deliver its business transformation.

1.3.6

**New operating model:** Implementation of the preferred Government model for ICT delivery providing the Council with more flexibility and improving delivery accuracy, precision and quality. Introduction of Cloud computing services as part of the data centre tower, will streamline the Council's infrastructure requirements and reduce capital investment, also providing greater agility.

1.3.7

**Corporate and Social Responsibility:** the contract creates:

- Three new IT apprenticeships a year, up to 15 positions over the contract period.
- An opportunity for Enfield Graduates to work within the wider Serco Group
- Community Engagement programme, to support schools and citizen development

## 2. RECOMMENDATIONS

2.1 Award extension for full four years to Serco until September 2019

2.2 Agree changes in operational scope and delivery, commencing October 2014

2.3 Approve delegated authority to Cabinet Member for Finance and Property and Director of Finance, Resources and Customer Services, for procurement and award of transition assurance partner and subsequent internal transition costs.

2.4 Note the following proposed key milestones:

- Transition activity to the new operating model will begin in April 2014
- New pricing schedule commences October 2014
- Full operation of the delivery model in place by January 2015

### 3. BACKGROUND

#### 3.1 The challenge

3.1.1 The Organisation is facing unprecedented challenges: continually reducing operating budgets and increasing demands of services from the growing number of citizens and government changes. The Council needs to transform the business to face these new challenges.

ICT is a key enabler and it is important that we have an ICT partner that enables us to transform the business in line with the overall business strategy.

3.1.2 Technology is a core component in enabling the transformation agenda. Four key priorities have been identified:

- Customer Focus i.e. Customer First– Design around the needs of the customer, using new technology to support service delivery via:
  - Channel Shift
  - Self-service
  - Citizen Owned Records
- New Ways of Working- Flexible working and improved management of information through technology and better working practices via:
  - Mobile working
  - Collaboration and Unified Communications
- Information Management- Use of technology to actively manage citizen information via:
  - Single view of a citizen, and child
  - Big Data e.g. Analytics
  - Smart cities driven by data and intelligence
  - Integration of Councils and Partners
- Automation and Simplification - Via business as usual efficiencies

3.1.3 Enfield has a clear requirement and roadmap in how we will make these changes, which in summary include:

- Digital by default
- IT transformation
- Effective information management/business intelligence
- Strengthening our strategic relationship as our ICT partner becomes even more important to our overall future performance
- A new operating model, where we will integrate all our ICT services across the business
- Ways of driving innovation into our relationship and contract and service delivery
- Providing greater value for money services
- Contributing to the Council's overall savings

3.1.4 To meet our future needs we now require a more flexible and agile IT organisation that is able to deliver according to our current and future needs and pressures.

## **3.2 Contract history**

- 3.2.1 In May 2010, the Council let a five-year outsourced ICT Support contract which commenced August 2010 with Serco Solutions. The current contract allows for an extension for a maximum of 4 x 12 months, and is currently in the fourth year, expiring in Sept 2015.

At that time external support was procured using Deloitte for procurement contract content and business requirements gathering and Denton Wilde Sapte for specialist legal support. The undertaking to which they were appointed took 18 months in total at a cost of £1.4m, not including Council staff involvement.

Whilst the commercial position at the time of contract award represented best value, saving £4m over the life of the five year term, current market analysis and benchmarking data provides evidence that the Council should achieve better value by reviewing the terms of the contact or undertaking a new procurement.

## **3.3 Contract preparation**

- 3.3.1 A project team was mobilised in January 2013 to review the options available to the Council and a paper went forward to Strategic Transformation Board in September with a refined number of options to consider (see 4.1). It was decided that it would be prudent to run a review in order to understand the level of savings and enhanced services the Council could achieve, prior to any decision to undertake a re-procurement.

Additional support was sought via a procurement process to compliment the project team. As a result specialist legal support (Sharpe Pritchard), ICT subject matter experts (Gartner) and Negotiation support (Atos Consulting), were selected to augment the project team.

A weekly Project Assurance Board (PAB) was formed, chaired by the Director of FRCS, with membership including AD Transformation (Claire Corbett), AD Procurement (Dave Levy), AD Finance (Richard Tyler and Isabel Brittan), Head of ICT (Mike Weston) and Head of ICT Supplier Management (Tim Kidd) in order to ensure a robust, transparent and well-structured approach was taken and maintained throughout the process lifecycle.

- 3.3.2 As part of this project a complete review of the contracted services was undertaken to identify:

1. Whether it can continue to meet the future ICT needs of the organisation
2. Existing areas requiring improvement
3. Obligations needing enhanced service levels from those currently in place
4. Contractual modifications due to technological changes
5. Areas of potential saving
6. Mitigation for any potential bad practice, following the recent press coverage

- 3.3.3 The Council met with Serco's management team on 9<sup>th</sup> October 2013 to confirm the timescales for entering in to an extension review. On 20<sup>th</sup> October 2013, Phase 3 was launched and a statement of works was provided to Serco outlining all the Council's requirements taking in to considering all of the findings from the above points. An initial response was received on 20<sup>th</sup> November and then a further 8 weeks of discussions took place.



4.2 During Phase 2 of the project, a business case was developed that further narrowed the options to the following:

Option 1 Review with Serco, extend for 4yrs and implement new operating model

Option 2 Retender the requirement and implement results of benchmark & negotiate remaining term for ICT services

Option 3 Extend by 1 year with Serco, implement results of benchmark & negotiate, then retender

It was agreed that option one should be pursued and the outcome presented back to the CMB for consideration in January 2014.

## **5. REASONS FOR RECOMMENDATIONS**

5.1 This report seeks to secure the core operational ICT support for the next 5 years with Serco. The review has yielded an increase in scope and delivers further value for money by reducing multiple areas of cost. A framework has been designed to assure improved performance for core operations and future project delivery, by adopting more agile working practices and developing a platform for Serco to become our ICT partner in delivering the Council's ICT transformation.

The new proposal both introduces new, and enhances existing governance and performance, financial, operational and project related benefits and improvements that underpin the recommendations in this report. These are summarised below.

### **5.2 Governance & Performance**

1. Increased commitment to Corporate Social Responsibility ( detailed in section 8)
2. Open book pricing and accounting to manage costs and prices going forward
3. ICT Serco Centre of Excellence will focus on the Council as Serco's Flagship
4. Performance Dashboard/Enhanced SLAs. Provides timely and accurate reporting for effective management decision making
5. Adopting Strategic Management Framework (see section 5.5)
6. Serco Account Structure mirrors LBE (and named roles)
7. Improved Governance, supported by an integrated design authority and professional services process
8. Ability to extend and amend services within scope of contract terms (see section 6.2)

### **5.3 Financial**

5.3.1 See Part 2 Report

5.3.2 The savings will be delivered over the 5 year extension period. A cost reduction programme will be developed in transition and active management over the five years will take place to manage the Council’s ICT demand, channel shift and physical foot-print. The contract is constructed to enable these changes and further costs can be achieved over the contract life-cycle and table below identifies these areas of opportunity.

Saving	Activity
Core	Printing costs Internal Channel Shift Cost reduction programme
Project	Committed labour rate volumes Project initiation cost savings
Capitalised	Server residual value

5.3.3 The proposal will also deliver the following benefits:

1. Maximising return on original ICT procurement investment
2. Potential Capital Cost avoidance through full IAAS - £1m technology refresh spend every 4-5yrs
3. Residual value for rebate on Capital server outlay – TBC
4. Refreshed and reduced rate card for all resource types
5. Catalogue Pricing – to aid and accelerate future project cost
6. Software application development pot. Allows greater flexibility in how the Council undertakes the upgrade of its software applications and negate some cost arising from legislative change.
7. Sourcing printing alternatives from the current contract will drive further cost savings
8. Supplementary commercial and procurement expertise from wider Serco group to assist with Council 3<sup>rd</sup> negotiations where required.

**5.4 Operational**

1. More for less
2. Increased service scope; 24\*7 SAP Application Support, Libraries and Millfield Theatre increased out of hours support
3. Move to Government Standard Operating Model with all transition costs paid.
4. Move to full IAAS (Cloud Computing) – operating model provides flexibility to move to alternative providers with significant ease should it benefit the Council to do so.
5. Continuation of existing operational obligations
6. Supporting overall ICT strategy and support requirements – dedicated on premise staff move toward shared service with expertise and resilience
7. Maximising use of existing infrastructure investment

**5.5 Project**

1. Innovation Process and budget
2. Project Initiation Process & Costs (HLD/LLD), simplified and locked down costs and timescales for production, with more manageable outputs to create a faster and streamlined project initiation process.

## **5.6 Joint governance and performance management**

Value, agility and innovation will be key themes of the contract moving forward. Management of performance will be critical to success. The outlined structure below is a simple three layer joint governance and performance management model.

- Strategy and governance
- Performance management
- Day-to-day operations

### **5.6.1 Strategy and Governance**

The Council's partnering approach will be based on trust and mutual advantage, where both parties will work together to determine favourable joint outcomes. Both parties will jointly develop a simple document which will agree our:

- Joint vision
- Joint goals, objectives and strategy
- Aspirations of the relationship
- Relationship approach, values and culture
- Capacity and demand management process
- Joint planning process and operating plan (JOP)
- Ways of working, performance management and governance

An annual strategic review of the relationship will be undertaken. We will review and agree the overall strategy, JOP, investments, relationship status and resources.

### **5.6.2 Performance Management: Joint Operations Plan (JOP)**

The JOP ensures that Enfield and Serco have a clear shared strategy, shared customer KPI measures and performance benchmarks set against them. The joint plan will be straightforward with clear accountabilities. It will be reviewed regularly at both a tactical and strategic level and ensure lines of communication are open.

The JOP is a living document and is updated and reviewed on a regular basis as part of the overall governance approach. It contains the objectives, targets, plans, demand forecasts, investments, resource requirements, improvement plans and a record of all agreements.

The party's Relationship Managers will co-ordinate and integrate all activities through the JOP and act as a conduit and catalyst to manage overall performance across the two business entities. A clear review of the JOP and any identifiable corrective actions will ensure performance improvement. Once the JOP has been agreed a Joint Management Information Dashboard will to be developed through transition and this will be the basis of the governance review and will be used to steer the overall partnership and relationship.

### **5.6.3 Day- to-day operations**

Day-to-day operations are at the heart of everything we do. Our joint strategy and performance management needs to be successfully deployed throughout both organisations and the supply chain, recognising where suitable changes should be made in order to provide consistent and appropriate services.

## **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

- 6.1.1 The 2013 Local Government settlement announced further local government funding cuts, increasing pressure on the Council over the next four years to reduce its spending especially in the support service areas.

See Part 2 Report.

The achieved savings can be broken down into three main areas:

- Base Contract savings
- Project Management
- Cost Avoidance

The savings attained by extending the contract will be factored in to the MTFs, with any future identified savings from the cost reduction programme added accordingly.

### **6.2 Legal Implications**

- 6.2.1 The Council has the statutory power to enter into the proposed variation/extension to the existing contract, in accordance with the Local Government (Contracts) Act 1997. The Council also has the option to extend the contract by up to four years (from September 2015), in accordance with clause 60.2 of the contract. As such, the Council has both the statutory and the contractual power and ability to enter into the proposed variation/extension.
- 6.2.2 In order to record the agreement between the parties clearly and comprehensively, the parties have agreed to enter into a deed of variation, to give effect to the parties' intentions and formally amend the contract.
- 6.2.3 In accordance with the Councils Constitution, in particular Contract Procedure Rules, the Council is permitted to vary a contract, where the contract permits.
- 6.2.4 The Legal Agreements will be in a form approved by the Assistant Director of Legal Services.
- 6.2.5 Refer to part 2 report also.

### **6.3 Property Implications**

- 6.3.1 As the new delivery model matures and fewer resources are located in Enfield. Less office space will be required by Serco and by the Enfield Retained IT function

## **7. KEY RISKS**

- 7.1 A financial analysis of Serco using market and economic data provided by Reuters has been undertaken to ensure that Serco remain a viable proposition throughout the extended term.
- 7.2 The Council's Audit & Risk Management Service (joint with PWC) agrees an annual plan of reviews, which is designed to provide a risk-based assurance covering varying aspects the ICT service. Any actions and recommendations arising from individual audits are logged and tracked. Therefore, whilst assurances given at the time of an

audit may not be at the highest level, it is expected that the effective implementation of recommendations will mitigate the identified risks. This planned audit activity will continue throughout the duration of the contract to assess the adequacy and effectiveness of controls in place within the ICT service.

7.3 An internal audit was commissioned as part of the 13/14 internal audit plan to assess whether a well-structured and governed process was followed, leading to any recommendation and decision making. The audit confirmed that there is evidence to support procedures having been undertaken to meet the control objectives set out in the terms of reference.

7.4 The following key risks have been identified:

- Serco profile in the national press. Mitigation: Enfield press office to co-ordinate with Serco to develop answers to FAQs for the announcement
- Enfield dependent activities to released further savings. Mitigation: Enfield will need to develop an effective channel shift programme during transition
- Serco SIAM experience. Mitigation: An independent third party SIAM assurance partner is to be appointed during the transition phase
- Slow or stalled transition to the new contract. Mitigation: Governance meetings will review progress and a time bound transition clause will be incorporated into the contract.
- Enfield's ability and capacity to transition to the new ways of working. Mitigation: A full transition team and roles needs to be established and mobilised for the planned transition commencing March 2014.

7.5 Refer to part 2 report also.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

The IT transformation will enable the business transformation and will allow all citizens easy access to the Council's services and information via the customer first and digital by default initiatives.

The Council needs a continued stable ICT provision in order to achieve the necessary saving required over the next three years.

### **8.2 Growth and Sustainability**

As part of the new contract Serco have committed to recruit, pay and manage three IT apprentices a year. This will equate to 15 apprentices over the next five years. (Assumes each apprenticeship lasts one year.)

Serco have also committed to provide secondments within Serco to temporary host and manage Enfield Graduates. These assignments within the Serco Group would last typically 3-6 months and will be wholly funded by Serco. It should be noted that Serco did not have a grad programme in place until this process took place, and this is a major organisational development.

Serco will continue to recruit locally within LB Enfield. The Barclays Cycle Hire call centre has recently had its contract extended and the jobs provided by Serco will therefore continue for a further two years.

### **8.3 Strong Communities**

Serco will continue to support the local schools through financial support and events. Serco have committed to developing school and citizen engagement programme

## **9. EQUALITIES IMPACT IMPLICATIONS**

Serco is an equal opportunities employer.

## **10. PERFORMANCE MANAGEMENT**

10.1 The key to the success of a strategic relationship is commitment to common goals, shared accountability and collaboration; and the capacity to identify opportunities and deliver value beyond the original brief.

10.2 Section 5 provides greater detail around the refined approach we will adopt for the extension of the contract.

10.3 The supplier and performance management will continue to be undertaken by the Supplier Relationship Team within Corporate IT.

## **11. HEALTH AND SAFETY IMPLICATIONS**

Current health and Safety commitments and processes continue. No implications

## **12. HR IMPLICATIONS**

None identified.

## **13. PUBLIC HEALTH IMPLICATIONS**

None

## **Appendix**

Frances Maude Ministerial Statement