



Cabinet

16 December 2020

Report of: Councillor Ronnie de Burle -
Portfolio Holder for Corporate
Finance and Resources

Future Provision of ICT Services

Corporate Priority:	Excellent services positively impacting on our communities Ensuring the right conditions to support delivery
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No
Key Decision:	Yes a) Incurring Expenditure of £50,000 or more
Subject to call-in:	Yes

1 Summary

- 1.1 The Council currently receives ICT support and services from the Leicestershire ICT Partnership (LICTP); delegated to Hinckley and Bosworth (H&B). On behalf of the partnership, Sopra Steria have been contracted by H&B to provide the day to day service and development support until December 2021.
- 1.2 Increasing challenges and performance issues have been experienced in the delivery of ICT support by Sopra Steria and there is a need for the partnership to take action if it wishes to see improvements in the operational performance of the contract as well as progressing the aspirations set out in its adopted Digital Strategy.
- 1.3 At a meeting in July 2019 Cabinet made a resolution to seek an early termination to the outsourced contract and the necessary funding to transition to an in house service. However due to varying support across the partnership this decision was not implemented and instead a further review was undertaken led by the new digital consultant employed on behalf of the partnership.
- 1.4 Following this further review this report considers the options available to Leicestershire ICT Partnership (LICTP) partner councils for delivery of their operational ICT service beyond December 2021 when the current delegated service and outsourced contract comes to an end.

- 1.5 The report also considers the development of an LICTP Partnership Charter which has been designed to support the way in which the partners work together and maximise the potential of digital for partners and local communities.

2 Recommendations

That Cabinet:

- 2.1 **Delegate Melton Borough Councils ICT function to Hinckley and Bosworth Borough Council representing the best option following a full options appraisal;**
- 2.2 **Approve the delivery model of Hinckley and Bosworth Borough Council providing an insourced ICT service to operate from January 2022 for a period of 5 years ending on 31st December 2026**
- 2.3 **Approve funding of £52k to cover the Council's share of the one-off costs to support implementation as identified in Paragraph 9.5 of the report of which £17k be added to the capital programme (£10k 2020/21, £7k 2021/22) to be funded from revenue, the remaining £35k to be revenue;**
- 2.4 **Delegates authority to the Director for Corporate Services to agree the terms of the inter authority delegation agreement with Hinckley and Bosworth Borough Council**
- 2.5 **Approve the Partnership Charter at Appendix 3**

3 Reason for Recommendations

- 3.1 The recommendation to adopt an insourced delivery model is supported by an options appraisal exercise which identified this as the best way forward for member Councils of the current partnership. The rationale for this model is that it is affordable, deliverable within the timescales, is straightforward to understand, will bring back more control to the partners, will enable the remaining partners to build better resilience than through any go it alone option and will allow a much greater degree of innovation and focus on the digital strategy. In addition a review undertaken by SOCITM (Society for Innovation, Technology and Modernisation) in 2018 highlights the lack of market interest should the partnership wish to consider continuing to outsource the service.
- 3.2 As there will be some one-off investment required a minimum initial period of five years will enable these costs to be justified.
- 3.3 The digital agenda continues to develop at pace and it is clear that the Partnership could gain even more benefits through moving to a closer, more collaborative and joined up working relationship. The Partnership Charter sets a framework in which this can happen effectively.

4 Background

- 4.1 The Leicestershire ICT Partnership (LICTP) is a Shared Service Partnership between Hinckley & Bosworth BC, Blaby DC, Melton BC and Oadby & Wigston BC which started over 10 years ago. The Council joined in 2013. There has been much change and

progress made during that period of time but expectations around everything digital continue to rise.

- 4.2 LICTP partners have previously adopted a common Digital Strategy (Appendix 1) and all are signatories to the Local Digital Declaration (Appendix 2). These documents demonstrate the significant changes that have taken place over recent years around digital and this is expected to accelerate moving forward.
- 4.3 In order to maximise the potential of the Partnership even greater collaboration is likely to be needed in the future and this will require a further step change in terms of strategic ambition and ways of working. As part of a strategic review commissioned by the partners, including engagement with managers across the Partnership, an ambitious Charter document has been drafted. This describes the high-level ambitions which in themselves are designed to achieve significant customer and productivity benefits for each partner council and their respective local communities.
- 4.4 Increasing challenges and performance issues have been experienced in the delivery of ICT support by Sopra Steria and there is a need for the partnership to take action if it wishes to see improvements in the operational performance of the contract as well as progressing the aspirations set out in its adopted Digital Strategy.
- 4.5 An independent review of the Sopra Steria contract (SOCITM, Nov 2018) identified “there was little commercial interest for the last tender exercise and traditional ICT outsourced models are increasingly becoming unfit for purpose”.
- 4.6 Based on the findings of the review at a meeting in July 2019 Cabinet made a resolution to seek an early termination to the outsourced contract and the necessary funding to transition to an in house service. However due to varying support across the partnership this decision was not implemented and instead a further review was undertaken led by the new digital consultant employed on behalf of the partnership.
- 4.7 Historically, the Partnership has used a Lead Authority/Outsourcing model to deliver the shared service to each partner. Hinckley has been the lead authority with Blaby, Melton and Oadby & Wigston delegating responsibility for delivery of the ICT service to Hinckley. The existing outsourced contract and delegation arrangements are due to end on 31st December 2021.
- 4.8 In July 2020 notification was received from Oadby & Wigston that they wished to withdraw from the Partnership at the end of the existing delegation arrangements. This report deals with the way forward beyond December 2021 for the remaining 3 partners.

5 Main Considerations

Option Appraisal – Future ICT Provision

- 5.1 The first key issue to address is whether there is ongoing commitment to LICTP. This is the right time for all partners to give due consideration to this question. To assist with this an Options Appraisal has been conducted which looked at five options as follows: -
 - a) LICTP Lead Authority Outsourced Model: This model is the existing model with partners delegating their ICT service to Hinckley who then procure a third-party contractor

- b) LICTP Lead Authority Insourced Model: This model is the same as a) above except that rather than Hinckley procuring a third-party contractor they will predominantly employ their own staff to deliver the service
- c) LICTP Shared Staff No Delegation: This model retains a partnership ethos but is very different to 1 and 2 with each partner retaining responsibility for their ICT service and working collaboratively to attain the benefits of the shared service. It would be an insourcing option with all partners employing some staff.
- d) Individual Authority – Go It Alone: This model would mean that a partner would withdraw from the shared service partnership and would work on their own to deliver ICT services in the future, using either an insourced or an outsourced model.
- e) Individual Authority – Join another Partnership: This model would also mean that a partner would withdraw from the shared service partnership but instead of delivering a service themselves would join another existing partnership.

5.2 Each of these options was assessed and scored against each of the following factors: -

- a) Cost
- b) Deliverability
- c) Complexity
- d) Control
- e) Resilience
- f) Innovation

5.3 The outcome from this assessment has shown that the best option emerging for the remaining three partners is to reaffirm their commitment to the LICTP but to move from the existing Lead Authority/Outsourced Model to a Lead Authority/Insourced Model from January 2022. With this model Hinckley would continue to be the lead authority with Melton and Blaby delegating arrangements for ICT delivery for a further five years until 31st December 2026.

5.4 The rationale for this model is that it is affordable, deliverable within the timescales, is straightforward to understand, will bring back more control to the partners, will enable the remaining partners to build better resilience than through any go it alone option and will allow a much greater degree of innovation and focus on the digital strategy.

5.5 The review undertaken by SOCITM (Society for Innovation, Technology and Modernisation) in 2018 highlights the lack of market interest should the partnership wish to consider continuing to outsource the service and further supports the recommended approach to bring the service back in house.

LICTP Charter

5.6 From the strategic review it is clear that the Partnership has got the potential to make significant improvements. However, to achieve this will require changes to how the partners work together and that is the focus of the Draft Partnership Charter that has been developed with all partners and is attached at Appendix 3. The intent will be to grow the Partnership over time as a result of being an exemplar for all things digital, including championing digital safety and security for local communities.

5.7 The rationale behind the Charter is to bring to life the vision in the previously adopted Partnership Digital Strategy and to set high level expectations for the future and most

importantly to set the tone for how the working relationships within the Partnership should develop. It is an attempt to bring together the LICTP Digital Strategy, the Local Digital Declaration to which all partners are signatories, the issues that have been identified through the strategic review as well as researching best practice from elsewhere.

- 5.8 The Draft Charter has been structured around 3 key themes of Digital Councils, Digital Services and Digital Localities, but also has 2 cross cutting themes of Collaboration and Data and Governance. For each of these themes there is a suggested commitment, so 5 commitments in total. In addition, there are 7 Principle Straplines.
- 5.9 It is suggested that, if adopted by the partners, a further set of documents should sit below the Charter. The first of these would look at the 5 commitments and 7 principles and answer in the form of desired outcomes for each one the question “What does this mean?” The second document would look at creating a series of SMART management objectives linked to the desired outcomes to enable regular monitoring and reporting. The Charter and these two documents would then form the basis of a Performance Management Framework for the Partnership.

Insourcing Model

- 5.10 Within the preferred delivery model there are further options that can be considered. Two key aspects that will influence the final choice will be affordability and level of digital ambition. The more ambitious the partners are the higher the level of up-front investment needed. Local authorities remain under significant financial pressure, but all organisations also have the opportunity to achieve transformational productivity and customer improvements by adopting a more ambitious digital agenda.
- 5.11 The current cost of ICT service delivery is very low. This was demonstrated through benchmarking work carried out by SOCITM (Society for Innovation, Technology and modernisation) in 2018, where it was established that the level of total ICT investment within the partnership is well below the lower quartile level for district councils. Soft intelligence also suggests a potential lack of profit margins within the existing outsourcing contract, which has been delivered at a level of cost that is well below what was being charged under the previous contract.
- 5.12 Within this context a balance needs to be struck between initial levels of ambition and short-term affordability. Initial work has identified that an acceptable insourced service, providing small levels of additional capacity, can be provided so that the new service is broadly comparable with existing overall cost levels and which is expected to enhance service quality. Over time and as budget positions allow, the intention would be to build further growth into the model in order to accelerate the pace of change using “invest to save” principles, benefits realisation and business cases as appropriate.

Implementation

- 5.13 There will be a challenging timeline to implement the new service from January 2022. Preliminary work has already started, and more detailed work will commence as soon as a decision is confirmed. The work required can be broken down into four distinct phases as follows:
- a) Service Design
 - b) Service Desk Management
 - c) Contract Exit

d) Transition

- 5.14 In the lead up to implementation of the new service there will be a need to create budgets for one off items of expenditure. Some of this will be for systems/software and products, whilst there will also be a requirement for backfilling resources to free up time for key officers. This is covered in more detail in Section 9 below.
- 5.15 The implementation work will be overseen by the LICTP Strategy Board which includes the Chief Executive for each of the partners. Capacity to maintain business as usual whilst implementing such a big change to the service delivery model will be an ongoing risk that will need to be managed.
- 5.16 At this point in time it is assumed that the existing outsourcing contractor will be co-operative and will adopt a positive approach to managing the transition. It is also assumed that existing key members of staff working for the contractor will not be lost to the partnership, although this will be a risk.
- 5.17 It will be important for all stakeholders to recognise that there will be additional pressures on the service during the implementation period and to manage expectations accordingly.

6 Options Considered

- 6.1 As described in 5.1 to 5.3 above, a full options appraisal has been carried out. This appraisal built upon work that was carried out by SOCITM on behalf of LICTP in 2018. In essence five different models were considered.
- 6.2 Within the recommended model for service delivery officers have also considered different levels of potential investment in structures for the new service.

7 Consultation

- 7.1 As part of the strategic review of the service around 80 managers across the existing Partner Councils have been consulted. Individual meetings with senior management teams have also taken place. Separate discussions have been held with each Chief Executive and a discussion has been held with the LICTP Director level Group.
- 7.2 If the Partnership decides to move forward with a Charter, this will require significant cultural change. It will be important to consider what further consultations with all stakeholders for all partner councils might be needed as the Partnership moves forward.

8 Next Steps – Implementation and Communication

- 8.1 All partners to agree recommendations by no later than mid-December 2020.
- 8.2 Start implementation of plan at the earliest possible opportunity.
- 8.3 Develop a communications plan for all stakeholders

9 Financial Implications

- 9.1 The costs of LICTP are currently apportioned on the basis of user numbers without recognition of the type of individual users and their demands on the service. This will be reviewed by officers to ensure that it is fair and appropriate for all costs incurred by LICTP.

However for the purposes of the estimates in this report the number of users at 31st July 2020 has been used. This results in a share of costs across the partnership as follows:

Hinckley	-	499 Active Users = 46.7%
Blaby	-	341 Active Users = 31.9%
Melton	-	229 Active Users = 21.4%

- 9.2 The current costs of IT services provided by Hinckley and Bosworth to Melton representing the costs of the current outsourced contract and the costs of the client team employed directly by them is £277k per annum. In addition to this annual cost are the costs associated with various software and infrastructure costs. Melton also has a budget of £34k which is utilised for buying in web support services on an ad hoc basis from the partnership. This is currently charged on a time basis as Melton has never formally joined the additional web services offer that the other partners have an agreement for. Taking into account the loss of Oadby and Wigston from the partnership and changes in user numbers for each partner the estimated charge to Melton for the new service is £315k which includes web services as a core part of the delegation. This makes the estimated costs based on current user numbers broadly comparable with the budget available.
- 9.3 It should be noted that the total cost of the new proposed insourcing model will still be well below the lower quartile benchmark cost for 3 district councils which is around £4 million. Even with a focus on further investment in the future it is unlikely to get to the lower quartile benchmark in the foreseeable future.
- 9.4 In order to adopt this approach, there are a number of one-off costs (revenue and capital) that are summarised below. These costs are for the 3 remaining partners to transition and do not include any exit costs for OWBC leaving the partnership who will be liable for these costs themselves.
- a) Operations management backfill and support to release the Strategic Head of ICT Shared Services to focus on insourcing activities, service design, transition, service desk management systems acquisition, contract exit and transition activities, 2-3 days per week to December 2021.
 - b) Transition costs, budget for Legal advice around the contract exit, HR advice for TUPE, Job design and evaluation, and any other unforeseen contractual or systems costs not currently envisaged.
 - c) Service Desk Management (SDM) acquisition, Capital costs for acquiring a replacement SDM system to Sopra Steria Cherwell Helpdesk system currently provided under the outsourced contract.
 - d) SAM (Software Asset Management) acquisition, capital costs for acquiring a replacement SAM system to Sopra Steria Flexera SAM system currently provided under the outsourced contract
- 9.5 Melton's share of these one off costs are £52k in total (£35k revenue and £17k capital). As a result of the previous decision to move to an in house service provision has already been made as part of the budget and is available to support this
- 9.6 There are no direct costs of adopting the Partnership Charter. However, it will be an important statement of intent that requires a level of commitment to a digital future. This will have potential for a number of invest to save initiatives to emerge.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 There is an existing delegation arrangement in place dated 31st January 2013. The Council is permitted to arrange for an executive function to be delegated to another Authority or to establish shared services by virtue of the Local Government Act 1972 and 2000, the Localism Act 2011 and the Local Authorities (Arrangements for the discharge of Functions) England Regulations 2012.
- 10.2 At present each partner council has delegated the delivery of an ICT service to Hinckley until 31st December 2021. The outsourcing contract from Hinckley to Sopra Steria Ltd is also due to end on the same date.
- 10.3 TUPE issues will apply and this will need to be worked through with the existing contractor.
- 10.4 Governance arrangements for LICTP beyond December 2021 are currently being reviewed and it is anticipated that there will be some changes to future governance arrangements designed to achieve the ambitions within the Partnership Charter

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no direct implications although there could be long term benefits from achieving ambitions within the Partnership Charter. In order to focus on achieving some of these benefits quickly it is suggested within the EIA action plan that a small partnership wide group is established to work with groups who represent people with specific protected characteristics in order to look at some co-design work to benefit all partners.

12 Community Safety Implications

- 12.1 There are no direct implications although there could be long term benefits from achieving ambitions within the Partnership Charter.

13 Environmental and Climate Change Implications

- 13.1 There are no direct implications although there could be long term benefits from achieving ambitions within the Partnership Charter.

14 Other Implications (where significant)

- 14.1 There are no other implications as a result of this report.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Current outsourced provider is unwilling to	Very High	Marginal	Medium Risk

	extend contract beyond current contract end date			
2	Capacity and funding to deliver insourcing within current resource constraints, between now and the end of December 2021. This is mitigated by the project being overseen by the Partnership Strategic and Governance groups which consists of representatives from all partners.	Significant	Critical	Medium Risk
3	Commitment of partners to the LICTP now and in the period up to and beyond December 2021	Very Low	Critical	Medium Risk
4	Ensuring the partnership has the right level of skills and staff to deliver services at the right time for BaU to end of contract, and under the new proposed insourced arrangement.	Low	Critical	Medium Risk
5	Meeting stakeholder expectations delivering BaU requirements during transition and beyond.	High	Marginal	Medium Risk
6	Potential TUPE costs and pension strain unidentified until TUPE negotiations begin at the end of the contract period	High	Marginal	Medium Risk
7	Lack of commitment to Digital Charter from stakeholders	Low	Critical	Medium Risk
8	Organisational cultural barriers preventing change being adopted	Significant	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High		1		
	5 High		5,6		
	4 Significant			2, 8	
	3 Low			4,7	
	2 Very Low			3	
	1 Almost impossible				

Risk No	Mitigation
1	Closely manage transition to new service. Get backfill resources in as soon as possible. Monitor on an ongoing basis.
2	Get backfill resources in early. Monitor on an ongoing basis.
3	Decisions made by end of 2020.
4	Focus on key skills required. Monitoring of skills available at different stages. Current pressures on employment market.
5	Communications with stakeholders.
6	Advice being taken early. Use of experts. Provisional understanding already.
7	Communications. Strategy Board to demonstrate leadership. Development of digital leaders at various levels.
8	Communications. Strategy Board to demonstrate leadership. Staff and Member Training. Build confidence and momentum with early successes.
9	Follow best practice. Focus on doing the right things.

16 Background Papers

16.1 Exempt Leicestershire ICT Partnership Shared Service Report

17 Appendices

17.1 Appendix 1 – LICTP Digital Strategy

Appendix 2 – Local Digital Declaration

Appendix 3 – Draft LICTP Charter

Report Author:	Dawn Garton , Director for Corporate Services
Report Author Contact Details:	01664 502444 DGarton@melton.gov.uk
Chief Officer Responsible:	Dawn Garton , Director for Corporate Services
Chief Officer Contact Details:	01664 502444 DGarton@melton.gov.uk