Tri-Borough Cabinet Member Decision Report

Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken	Cllr Schmid, Cabinet Member for Finance Date of decision: July 2014	h&f hammersmith & fulham
	Cabinet Member for Community Safety, IT and Corporate Services – Cllr Gardner Date of decision: not before 3 July 2014 Forward Plan reference: **04279/14/C/A**.	THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
	Cabinet Member for Finance & Customer Services - Cllr Caplan Date of decision: *8* July 2014 Forward Plan reference: 740	City of Westminster
Report title (decision subject)	**TRI-BOROUGH PROCUREMENT OF KEY ICT SERVICES**	
Reporting officer	Jane West, Executive Director, Finance & Corporate Governance, Hammersmith & Fulham Council Nicholas Holgate, Town Clerk and Executive Director of Finance, Royal Borough of Kensington & Chelsea Charlie Parker, Chief Executive, Westminster City Council	
Key decision	Yes	
Access to information classification	Public	
Cabinet Member or senior officer sign-off details		

AUTHORISED BY: .....

The Cabinet Member has signed this report…

DATE: 3 July 2014…….

1. EXECUTIVE SUMMARY

1.1 This report seeks Cabinet approval for the funding of the procurement strategy, definition and business case for key Tri-Borough ICT services, in line with the Tri-Borough ICT strategy. This is part of a programme that is anticipated to lead to cost reduction both within ICT and as a key enabler for savings in the delivery Tri-Borough. This initiative will contribute partly to the realisation of a Tri-Borough ICT savings target of £6.5m from 207/18.

2. BACKGROUND

2.1 As part of the Tri-Borough arrangements, Westminster City Council, the London Borough of Hammersmith and Fulham, and the Royal Borough of Kensington and Chelsea share services to improve customer services and deliver savings. These Tri-Borough shared services are critically dependant on ICT.

2.2 Shared services demand joint support service provision. Currently, the three boroughs have different ICT service arrangements. RBKC has a largely in-house service. H&F own a strategic joint venture company with Agilisys which supplies the ICT service through H&F Bridge Partnership (HFBP) until November 2016. WCC ICT services, which are part in- and part out-sourced, are in the process of changing over to two new suppliers this year for three service towers; desktop and data centre services to BT and the service desk to Agilisys.

2.3 The Councils now need to turn their attention to the other four remaining service towers; voice and telecommunications; data network; standard business applications; specialist functional applications.

2.4 The current contracts are large and complex in nature so the Councils need to start the process now in order to be sure of meeting the target dates. The alternative could lead to procurement non-compliance or potential major disruption to ICT service.

2.5 The next stage is to quickly determine the approach to sourcing and procurement of these services to complement the contracts awarded in 2013.

3. RECOMMENDATIONS

3.1 That the approach for the ICT service provision procurement set out in section 6 be endorsed.

3.2 That funding of a total of £186,000 consisting of £62,000 from each borough be approved to support the procurement process (the H&F funding will be met from the Efficiency Projects Reserve).

4. GARTNER FINDINGS

4.1 Two years ago, Gartner were engaged to help the boroughs assess viable options for the future Tri-Borough ICT service. They assessed the strategic Tri-Borough business plans and used them to develop a set of ICT transformation principles which were approved in July 2012 by the three boroughs in a Cabinet paper entitled "Tri-borough ICT Strategy and Procurement". These include:

- Standardised and common ICT services, when utilised across all Councils at a Tri-Borough level, will achieve the greatest cost savings for ICT
- Any ICT service should be sized for foreseeable Tri-Borough demand and provide greater value for money, be adaptable and able to be responsive to the changing needs of the business
- The ICT service and infrastructure should be designed to take account of an emerging business landscape with a large number of potential partners and providers including small, voluntary and independent providers

4.2 Gartner divided the ICT service into seven service towers, plus a retained ICT function, as a starting point for any Target Operating Model. The service towers are set out in **Appendix 1** and include

- The service desk
- Distributed computing (desktops and associated services)
- Data centre services
- Voice and telecommunications
- Data network
- Standard business applications.
- Specialist functional applications

4.3 As the first three service towers were those which WCC had to procure most immediately as their contract terminated in 2014, they were the first contracts to be awarded on a Tri-Borough basis.

Existing contracts

4.4 Several key contracts across the three Councils will terminate in the next two years. Significant decisions need to be made about their sourcing and procurement.

4.5 The expiry of a major WCC telephony contract with Ericsson takes place in October 2016.

4.6 RBKC have a series of contracts for networks, telephony and mobile phones which terminate in the next two years including with Computacenter UK Ltd, Mdnx Managed Services Ltd and O2.

4.7 The service contract between H&F and HFBP terminates in October 2016 and the Council will need to consider how it wishes to source a large number of services to replace those ending then, see **Appendix 2.**

4.8 The WCC Next Generation Networks (NGN), which all three boroughs use, finishes June 2016. This framework contract is also extensively used across London with an estimated contract value of upwards of £10m. There is already a considerable demand from other public sector organisations with those already taking advantage of this contract including the London boroughs of Southwark and Hillingdon, North, Central and East London NHS Community Support Trust, the City of London Corporation and the Metropolitan Police Service. Several other boroughs are in the advanced stages of procuring NGN services.

4.9 The value of the contracts listed above is in the region of £20m in total with the HFBP service contract being the largest single cost.

4.10 As part of the process, therefore, the Councils will need to consider whether any Tri-Borough procurement should be for framework contracts that may be open to other public sector entities. During the determination of the procurement strategy, the Councils will take soundings from other London boroughs on their appetite for collaboration in this process. Should there be significant interest, not only the Tri-Borough Councils but other local authorities and public sector bodies may be able to achieve economies of scale which could be enjoyed by all parties concerned.

Approach to service delivery

4.11 While the ICT service across the Councils is expected to make its own savings, Gartner points out that ICT will also be integral in enabling the delivery of future business changes and savings. This must not be compromised by any change programme.

4.12 In Gartner's view, neither pure internal delivery nor full outsourcing is the long term solution where organisations face challenging business requirements for increased flexibility and lower cost, increasing ICT complexity and rapid change. In their view, a hybrid solution needs to be developed that takes the best of both models and allows the three Councils to balance these demands.

4.13 When a service is outsourced, it is common to have a small retained organisation which acts as an interface between client and supplier to ensure a specified quality of service. The intelligent client retains sufficient technical knowledge of the services being provided by a third party to design, specify requirements competently and manage delivery of the services. The intelligent client also maintains a strategic approach to sourcing - as technology and business needs change. This is particularly relevant to services required such as applications support, business analysis, project management, and strategic relationship management. The full list is in **Appendix 2.**

4.14 In addition to this function, part of the intelligent client is service focussed - helping to scope and deliver service improvement and ICT-enabled business change – drawing on outsourced services where needed. This is a key component of the proposed hybrid model which will enable the new ICT service to meet the needs of the business for ICT enabled transformation. A diagram showing the format of this hybrid model is shown in **Appendix 3**.

4.15 Gartner recommended a hybrid service delivery model focusing on the outsourcing of areas such as commoditised infrastructure where there is a good business case with potential for significant savings identified and an in-house service which has a customer and business transformation focus as well as a client role.

4.16 Between these two categories – commodity or transformational - there is a choice as to whether to outsource or host in-house. In the next stage the Councils will determine which side of the line the four service towers fall. Two areas are more clearly commoditised than others – network and telephony/unified communications.

4.17 The standard business applications will mainly be covered by Managed Services and Total Facilities Management so little is left to procure there.

4.18 Specialist functional applications is a service tower where different approaches may be appropriate. These will be considered during the second phase of developing a target operating model for the ICT service during 2015. The complexity here is that a number of applications are gradually moving to provision by an external hosting supplier and are fully supported by that supplier. Other applications could be hosted in the BT data centre cloud service with support provided either by an in- or outsourced team. The shape of this is likely to be determined by the ICT target operating model to a great extent.

4.19 In addition, the Councils must retain IT strategy and enterprise architecture, the digital strategy and other key strategic leadership roles eg strategic sourcing, otherwise suppliers will have the opportunity to take decisions in their interests rather than those of the Councils.

5. TRI-BOROUGH ICT TECHNICAL BLUEPRINT AND ENTERPRISE ARCHITECTURE

5.1 One of Gartner's key recommendations was that the three Councils undertake some technical design work before going to the market. The aim was not to undertake a detailed technical design but to specify in sufficient detail the future technical blueprint that will inform the imminent and any future procurement and set a clear technical direction for a cohesive infrastructure.

5.2 The Councils sought advice from a consultancy, Fordway, to provide an impartial recommendation and an optimal design to give a framework within which future ICT decisions can be made which will ensure future integration of ICT systems, processes and information as well as value for money. Its output was a strategic roadmap and a set of technical design principles.

5.3 Following the awarding of distributed computing and data centre towers, the Councils now need to develop a full enterprise technical architecture to enable a convergence path across all service towers, particularly those affected by the proposed procurement. This is highly specialised work beyond the remit of the current ICT function. Councils generally find it impossible to recruit or retain key specialist resources who can do this. The estimated cost for the development of this key paving architecture is £75k.

6. TRI-BOROUGH PROCUREMENT STRATEGY

6.1 This procurement must be undertaken on a Tri-Borough basis to provide the flexibility for services at a minimum to be aligned at the end of H&F's HFBP and WCC's NGN and Ericsson telephony contracts in 2016 and enable effective provision of Tri-Borough ICT services.

6.2 It is recommended that the procurement strategy and business case should be developed over the next four months and a strategic sourcing strategy detailed to align with the Tri-Borough Chief Information Officer-led target operating model work. At that point the Councils can make a decision as to which services they are going to market for. The services to be procured are likely to include security services, voice and telecommunications and data networks.

6.3 The proposal is that the development of the procurement strategy be led by Director for Procurement and IT strategy, Tri-Borough ICT, with each borough playing an active role in determining the sourcing strategy in this phase, defining the requirements and choosing the eventual suppliers in the next phase. The ICT procurement strategy will take account of all key stakeholders views across the three boroughs, in particular by consultation at H&F with the Critical Friends Board and the H&F procurement task force. The ICT procurement strategy will be designed in such a way as to adapt to any relevant outcomes arising from that consultation.

6.4 The estimated budget required to undertake this phase of the procurement exercise is £111,000. WCC provided the budget and outturn figures for the last IT service provision procurement which completed in 2013. The Councils have used these in estimating the next procurement exercise. The key resources needed are programme management, legal and procurement advice and technical advice over the next four months.

6.5 Originally all three Councils would have had to fund single borough procurement exercises within the next year. A three borough approach will cost less per borough than undertaking the procurement individually.

6.6 A timeline showing key milestones is shown at **Appendix 4**.

7. REASONS FOR DECISION

7.1 Cabinet endorsement of the sourcing strategy, direction and approval of the proposed funding of £186,000 to support the procurement process is required from all three boroughs to enable both key components to be put in place and to make an approach to the market.

8. EQUALITY IMPLICATIONS

8.1 There is considered to be little or no impact on equality as a result of the issues in this report. It should be noted that it is likely that there will at a later stage be TUPE implications for staff at RBKC, WCC, H&F and HFBP. This will need to be considered as part of the procurement strategy. An Equalities Impact Assessment (EIA) will be done as part of the next stage of the procurement.

9. LEGAL AND PROCUREMENT IMPLICATIONS

9.1 Procurement of the expert support services will need to be carried out in accordance with EU procurement rules and the three Councils' contract standing orders and the method of procuring this service will be determined by a Tender Appraisal Panel in the future.

9.2 Verified by Mark Cottis – e-Procurement Consultant (020 8753 2757) and Dian West Contracts solicitor.

10. RISK MANAGEMENT IMPLICATIONS

10.1 The report contributes to the management of Tri-borough IT Business Continuity service delivery through a more resilient IT Infrastructure and ultimately supporting the needs and expectations of service users through a more efficient and stable IT environment.

10.2 Verified by Mike Sloniowski Bi-Borough Risk Manager.

11. FINANCIAL AND RESOURCES IMPLICATIONS

11.1 The Tri-borough Corporate Services Programme and Gartner have both predicted in 2011 that savings of £3 million should be deliverable from the ICT function alone by 2016 by bringing the ICT services together.

11.2 Costs will be incurred in developing the procurement strategy and letting contracts but in reality many of these costs would have been incurred if the boroughs had continued with single ICT functions. The procurement strategy is estimated to require funding of £111,000 for the three boroughs. All three Councils would have in any event required procurement funding as existing contracts fell for renewal or new commoditised services were accessed e.g. data networks. In addition, the enterprise technical architecture requires the sum of £75,000.

11.3 It is recommended in the report that the H&F share of the cost of the procurement strategy ie £62,000 be funded from the Efficiency Projects Reserve. There will also be a need for transition costs but these will depend on what services are drawn down from the contracts and when. Some of

these costs are likely to be funded by existing ICT investment budgets in the three boroughs.

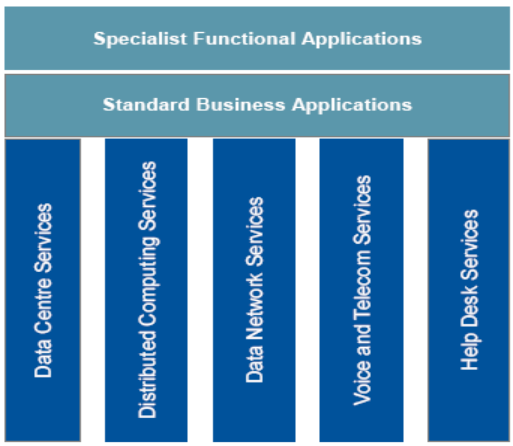
Verified by Andrew Lord, Head of Strategic Planning and Monitoring, Corporate Finance.

12. CONSULTATION

12.1 There is no legal requirement to consult with the public.

12.2 Staff may need to be consulted on the development of the new support functions however this can be done through work led by the Tri-Borough CIO on the development of the ICT target operating model.

Appendix 1 - ICT Service Towers (copyright Gartner)



1	Help Desk Service	Personnel, hardware and software required to manage calls, such as PBX, Automated Call Distribution (ACD), service desk client & peripheral devices as well as service desk application servers.
2	Specialist Functional Applications	Applications that have functionality which is specific to the three Councils. For example, Children's' Services, Adult Social Care, Libraries
3	Standard Business Applications	Such as Finance and HR systems. These are being considered separately as part of the Tri-Borough Managed Services Programme.
4	Distributed Computing	Desktop, laptop, thin client, tablet, and handhelds, and associated user client and messaging software.
5	Voice And Telecom	Voice premise technology and wide-area voice network. Hardware includes wide-area voice hardware — switching and routing as well as terminating hardware, and telephone system equipment, but excludes smart-phone devices.
6	Data Network	WAN, MAN, LAN, Internet Access Services (IAS). Security hardware and software, transmission, and network operations are also included.
7	Data Centre	Mainframe, Unix, Wintel, Storage plus any other platform running in the data centre. This tower also includes disaster recovery, software licenses, and inter- and intra-data centre connectivity.

Appendix 2 – ICT Services in scope

1. Technical Consultancy and IT Strategy

2. Business Analysis

3. Procurement
    a. Software package or service acquisition
    b. Hardware

4. Data Network and Remote Access Services

5. Voice Network and Unified Communications

6. Asset Management

7. Information Security

8. IT Change in relation to these services

9. Business Continuity

10. Contracts Services
    a. Supplier Management
    b. Transferring Contracts

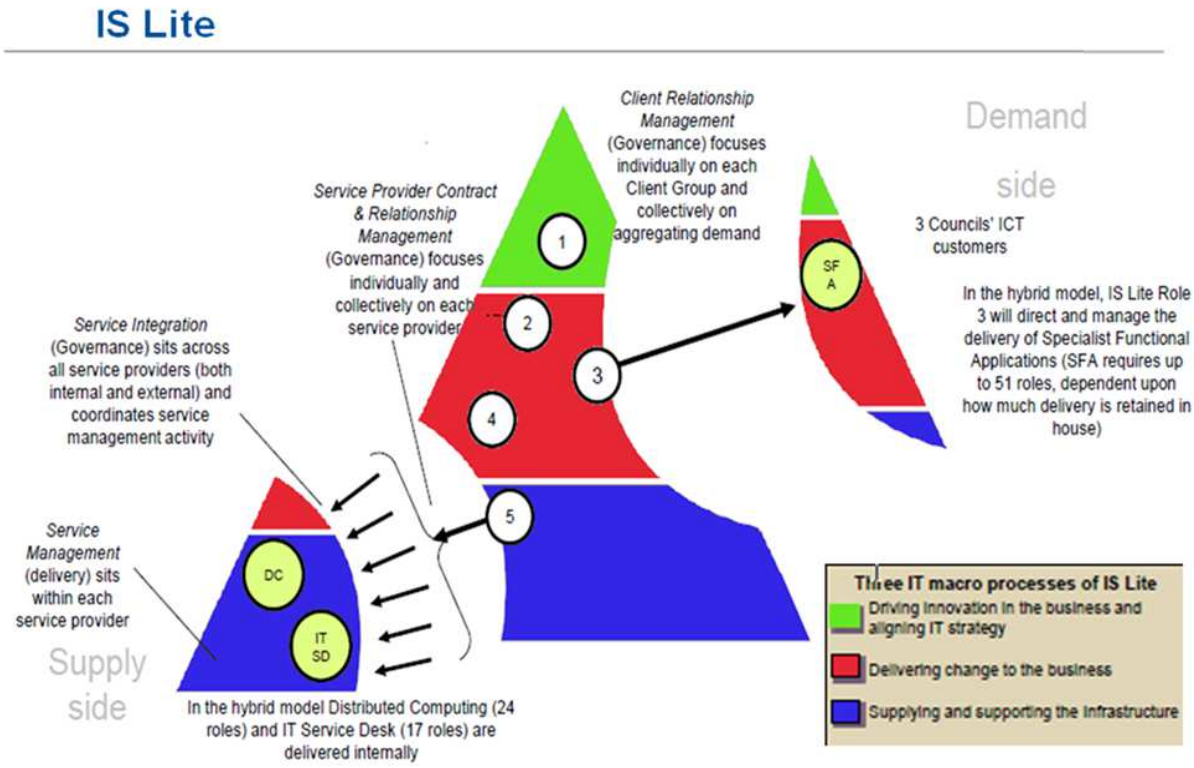
11. Applications Services
    a. Application Support Definition
    b. Application Hardware Maintenance
    c. Back-up and Security
    d. Server Support
    e. Intranet
    f. New Users
    g. Application SLAs

12. Internet Services

13. Project Management Services

14. Additional Commissioned Work
    a. Systems development and integration
    b. Package implementation

Appendix 3 - Hybrid model for ICT service delivery (copyright Gartner)



Appendix 4 – Timeline showing key milestones

Activity	**Completion date**
Options appraisal and soft market testing	September 2014
Obtain funding for procurement phase	October 2014
Go to market, publish PIN and PQQ	October 2014
Shortlist suppliers	December 2014
Publish ITT draft	January 2015
Publish ITT	February 2015
Select suppliers	April 2015
Councils award contracts	June 2015
Transition to new suppliers	June 2016
Decommission existing arrangements	September 2016
Exit existing contracts	October 2016