

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

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| TO: | POLICY COMMITTEE | | |
| DATE: | 9 MARCH 2020 | AGENDA ITEM: | |
| TITLE: | ICT FUTURE OPERATING MODEL - PROGRESS UPDATE AND APPROVAL TO APPOINT DESIGN & TRANSITION PARTNER | | |
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The current Information and Communications Technologies (ICT) outsourcing contract with Northgate Public Services ends in March 2021 and has no option within it for further extension. The successor arrangements are known as the ICT Future Operating Model (FOM). This report sets out the proposed approach to the design and implementation of that model, and seeks delegated authority to enter into a contract with a Design and Transition Partner to provide the specialist expertise and capability required to achieve the rapid transition required.

2. RECOMMENDED ACTION

That Policy Committee:

- 2.1 Endorse the proposed approach to the design of, and implementation planning for, the Future Operating Model.
- 2.2 Grant delegated authority to the Executive Director of Resources in consultation with the Assistant Director for Procurement and Chief Digital and Information Officer to enter into a contract with a Design and Transition Partner to enable the design stage of the project, which will produce a detailed business case setting out the Future Operating Model for consideration at a subsequent Policy Committee.

3. THE PROPOSAL

Current Position and Work to Date

- 3.1 In 2011, the Council awarded a partnership contract for core ICT services to Northgate Public Services. This is a full outsourcing arrangement, under which overall responsibility for the delivery of ICT services has been transferred to that organisation, with minimal core ICT capability retained in the Council.
- 3.2 The contract was for 7 years, with the option of a 2-year extension. In 2019, that 2-year extension was invoked. The contract now expires in March 2021 and contains no further provision for extension. It is therefore essential that successor arrangements are put in place. These are known as the ICT Future Operating Model (FOM).
- 3.3 Following scoping and a high-level options analysis in 2019, a discovery work package was initiated at the start of 2020. This is capturing and collating detailed information about all aspects of the current service - including details of all hardware, software and services - to ensure that the requirements for the FOM are complete, and to minimise transition risk. Both the scoping/ options analysis and discovery work packages have been carried out by Channel 3 Consulting Limited.

Options Proposed

- 3.4 The options analysis in 2019 concluded that a like-for-like reprocurement of an outsourcing arrangement of the current broad scope was unlikely to offer value for money. The rationale is illustrated by the following two cases:
 - Commoditised services may be better provided by a specialist supplier of the commodity rather than a generalist. For example, server capacity might better be bought from a cloud service provider (whose economies of scale could provide both financial and environmental benefits) than via our current model of buying our own servers and paying for their management.
 - Services that are closely linked to business needs - for example the management of application software vendors and the configuration of applications to meet user and business needs - might better be provided by an in-house team.
- 3.5 We therefore propose to adopt a "smart-sourced" approach, in which services are grouped, and each group sourced in the way which represents best value for money, with options including:
 - commodity procurements via Government frameworks such as G-Cloud;
 - shared resources or services with other public sector organisations;
 - managed service procurements,
 - insourcing where appropriate.

- 3.6 The various services will be managed, and brought together to deliver a coherent and effective experience for users, by an in-house service integration and management team.
- 3.7 The next stage of work - the Design Stage - will:
- Develop a business case making recommendations for the design of the FOM: to enable decisions to be made on how the ICT services should be grouped, and how those groups should be sourced to maximise value for money (including enablement of digital transformation across the Council) and remain within affordability constraints. The target is to submit this to Policy Committee for consideration in May or June 2020.
 - plan the procurement, implementation and transition work needed to achieve transition by 31 March 2021;
 - identify and initiate any work that needs to be started immediately to inform the business case and transition planning - for example pre-contract procurement activity (such as soft market testing and requirements development).
- 3.8 The Design Stage and subsequent procurement implementation and transition will require external expert support. A mini-competition for a Design and Transition Partner (DTP), under a Government framework with a wide range of potential suppliers able to provide the procurement, technical, organisation and programme management skills required (Management Consultancy Framework 2 Lot 1), has therefore been launched so that we can ensure optimum value for money is being obtained.
- 3.9 The DTP contract will be a call-off contract, under which work packages will be let as and when they are defined. The initial work package will be for the Design Stage and there will be no contractual guarantee of further work.
- 3.10 It is recommended that the Executive Director of Resources in consultation with the Assistant Director for Procurement and Chief Digital and Information Officer is granted delegated authority to appoint a DTP through the ongoing competition and to place work with the DTP as necessary up to a value of £750k.

Other Options Considered

- 3.11 During the initial options appraisal in 2019, the option of providing ICT services through a single outsourcing arrangement similar to that with Northgate was considered. As discussed at paragraph 3.4, this option was rejected on the grounds of value for money. It should be noted that this option would also have required the procurement of external advisory support for its implementation.
- 3.12 There is no viable option to deliver the design and transition solely through the internal team. This is because the Council does not currently possess staff with the required specialist skills in sufficient numbers. While implementation of the FOM could include the recruitment of some such staff, that model has not yet been designed or agreed.

4. CONTRIBUTION TO STRATEGIC AIMS

4.1 The FOM is critical to the operation of the Council and therefore underpins all strategic objectives. In particular:

- It directly aligns to the corporate priority "Ensuring the Council is fit for the future".
- The Customer Experience Strategy approved at the January 2020 Policy Committee cited the FOM as a critical dependency.

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 None relevant to this proposal.

6. EQUALITY IMPACT ASSESSMENT

6.1 No equality impact assessment is required for this specific proposal. It will be necessary to ensure that equality aspects (eg the needs of users with disabilities) are considered in the specification of goods and services to be procured during later implementation of the FOM.

7. LEGAL IMPLICATIONS

7.1 The contract will be procured under a Government framework (Management Consultancy Framework Lot 2), in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

8. FINANCIAL IMPLICATIONS

8.1 Funding for the implementation of the FOM, including the work described in this proposal, is included in the budget and Medium-Term Financial Strategy.

9. ENVIRONMENTAL IMPLICATIONS

9.1 While this proposal itself has no environmental implications, environmental considerations will form part of the design criteria for the FOM, as illustrated by the example at paragraph 3.4.

10. BACKGROUND PAPERS

10.1 None