



# Taking Control of our Digital Future

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ICT FUTURE OPERATING MODEL  
Outline Business Case – Appendix A  
to report to Policy Committee



## Client Organisation

Organisation Name	Organisation Address
Reading Borough Council	Civic Offices, Bridge Street, Reading, RG1 2LU

## Document Control

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# 1 Introduction

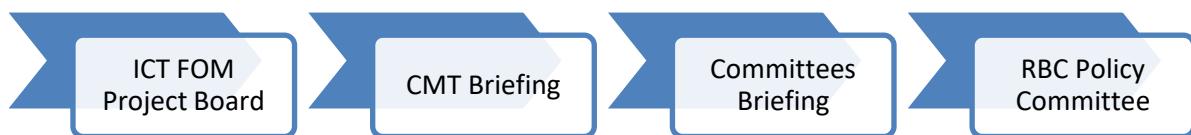
In 2011, Reading Borough Council (RBC) awarded a partnership contract for core ICT services to Northgate Public Services (NPS). This is a full outsourcing arrangement, under which overall responsibility for the delivery of ICT services was transferred to that organisation, with minimal core ICT capability retained in the Council.

The contract was for seven years, with the option of a two-year extension. In 2019, that two-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.

This document sets out the business case for the Future Operating Model, describing what it needs to achieve, assessing the options for it, describing their relative Value for Money and affordability, and describing how new arrangements will be procured and implemented.

## 1.1 Governance Arrangements

This Business Case will be taken through the following governance route for approval by Policy Committee.



## 1.2 Structure of the Case

This business case follows the Office of Government Commerce and Public Sector guidelines for best practice business case development (the five-case model):

### The Strategic Case:

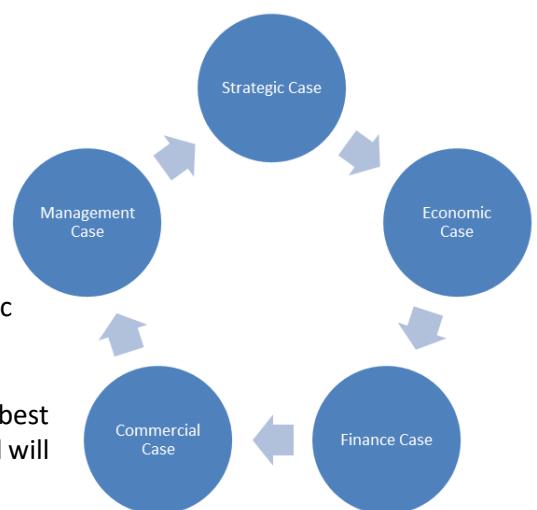
- Service and Operational Drivers for Change
- Overview of the current service
- Required capabilities

### The Economic Case:

- Definition of the options and evaluation approach
- Assessment of the options against evaluation criteria – strategic effectiveness and financial impact
- Value for Money (VFM) assessment
- Selection of a preferred Future Operating Model, which best meets existing and future needs, is likely to optimise VFM, and will enable achievement of the organisation's strategic objectives

### The Commercial Case:

- Commercial objectives



- Procurement strategy, routes to market, procurement approach and design
- Contract considerations/objectives
- Exit considerations
- Contract management considerations

**The Financial Case:**

- Impact on income / expenditure (cash flow, revenue and capital implications).
- Requirements for efficiency savings / opportunities
- Affordability, taking into consideration savings targets

**The Management Case:**

- Programme management arrangements, decision points and review processes
- Assessment of risk in achievement of expected benefits
- Approach to risk, delivery management, change and benefits realisation
- Outline timetables for delivery including the proposed transaction and implementation
- Transition project (costs, resources, schedule)
- External support implications

## 2 Strategic Case

### 2.1 Purpose of the Strategic Case

An ICT Future Operating Model is essential given the expiry of the current contract at the end of March 2021: there is no “do nothing” option. The strategic requirements for the Future Operating Model go beyond continuity of service. This section sets out those strategic requirements.

The Council, in common with all Local Authorities, faces pressures in terms of challenging financial targets and increasing service demands. It needs to transform the way it operates through new service models, new ways of working, integration with partner providers, automation and self-service. A flexible, responsive and innovative ICT service is an essential and critical enabler of that transformation. The Future Operating Model therefore needs to address how ICT can support and enable the Council’s Corporate Plan priorities and Service development requirements.

The sections below set out:

- the strategic context for the Future Operating Model (i.e. how it fits into RBC’s wider programme of corporate transformation);
- the scope of Future Operating Model;
- the fundamental requirements that the Future Operating Model must meet, which have been derived from consultation with service areas across RBC and Brighter Futures for Children.

### 2.2 Strategic Context

An extensive Discovery exercise has been undertaken to understand the current ICT provision, including staffing and functions, contracts, third-party services, processes, hardware, software, licences, and costs. This exercise informed the requirements for a Future Operating Model and confirmed the scope of the ICT Services required to meet the Council’s needs.

In order to achieve the Corporate Plan objectives, RBC has initiated a far-reaching portfolio of corporate transformation, covering adult social care; land, property and development; environment and climate, customer experience and the building of TEAM Reading. This portfolio is currently being reviewed to align with the organisation’s needs for operational and transformational recovery from covid-19.

The importance of digital technologies in enabling transformation and new ways of working has already been demonstrated in a small way in the response to the covid-19 crisis, which has seen unprecedented levels of home and mobile working, widespread video conferencing and a sharp growth in online collaboration across the organisation.

Recognising that the digital dimension of transformation will continue to grow, the Digital Futures Programme Board’s remit is to develop RBC’s Digital Strategy, ensure that the technical enablers for that strategy are in place, and ensure that all ICT and digital projects undertaken by RBC align with it. The Digital Strategy is being developed with the following aims:

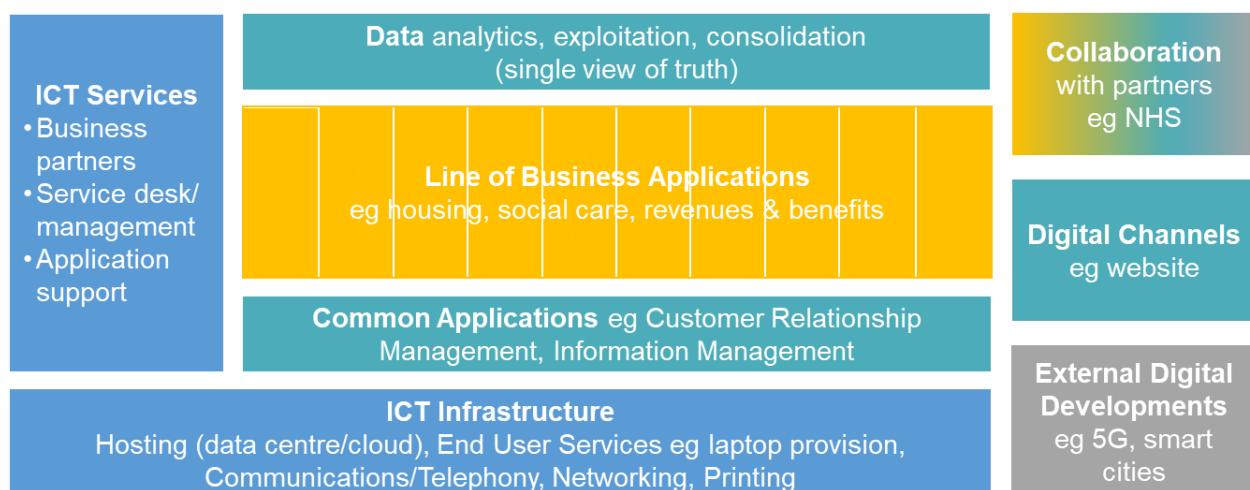
- Work better with our customers, our partners and ourselves using new service delivery channels; giving great customer experience; reducing costs; collaborating effectively; and changing working practices to drive efficiencies and streamline delivery.
- Work smarter with data sources and intelligence to inform policy, strategy, operations and casework.
- Drive inclusive digital growth through collaborating locally, identifying potential for change, connecting citizens and reinforcing Reading’s digital brand.

- Embrace lean innovation at pace, relentlessly focusing on rigorously prioritised benefits and experimentation.
- Consolidate and maintain ICT service control, including security, availability, performance and value.

The programme to implement the Customer Experience Strategy, which was approved at the January 2020 Policy Committee, exemplifies these aims and is dependent on the Future Operating Model. The Customer Experience Strategy identifies the shift to digital in its philosophy: harnessing digital technology (including self-service and robotic process automation) and realising the power of data. The programme offers savings of £581k over the next 5 years.

Analogous digital transformations are already identified and progressing in other areas such as an upgrade to the Social Care application to enable mobile working and a replacement Housing application, which will enable implementation of a new operating model in that area.

The diagram below illustrates the role of the ICT Future Operating Model (shown in blue) in supporting the Council's Digital Strategy, enabling and complementing the other elements: line of business applications (orange), cross-cutting digital tools and channels (teal), and external digital capabilities (grey).



## 2.3 Scope of Future Operating Model

The scope of the Future Operating Model – and indeed the current service – is best expressed through the “towers” model illustrated below. The model is deliberately flexible, to allow both enhancements to existing towers and the addition of new towers as the need arises, driven either by evolving business need or technological advances.

Towers coloured blue are those currently delivered by or via Northgate and are all candidates for different sourcing options (in-house, external or shared service); those in mauve are, or should be, in-house functions; Line of Business Application Support is a combination of the two.

## Business



### Business Partnering



### Assurance: Service, Security, Technical, Contract

Line of Business Application Support



Mobile Phones and Data



Printing



Hosting



Service Desk and Service Mgmt



End User Services



Unified Comms



WAN / Internet



LAN / WiFi



### IT Service Management Tooling

Business Partnering		Works with service areas to understand business requirements and work collaboratively and proactively with them to determine how ICT services - existing, new or enhanced - could enable capabilities or provide support.
Service, Security, Technical & Commercial Assurance		The service governance and performance management function for the entire ICT Service. defining policy, having overall ownership of service measurement, and ensuring all component services are aligned to the operating model.
Service Desk and Service Management		Single point of access for users to interface with the overall ICT Service. It will leverage the ITSM (IT Service Management) toolset and defined policies to be the first line support function for IT. It will also triage tickets and allocate to further resolver groups for further action. It will monitor suppliers against their SLAs and provide transparency and reporting on performance.
End User Services		Operates the user workplace environment. This will include the physical devices, the operating systems, and the applications required to deliver day to day ICT functions to RBC users.
ITSM Tooling		Provides the centralised toolset for service monitoring, management and reporting. All tower suppliers will integrate into the central toolset and provide the metrics that inform the running of the service and its performance against success criteria.
Unified Communications		Covers all those applications that provide communication functions to the Council. This will include voice, video, instant messaging, contact centre functions and associated infrastructure and software needed to deliver these.
Hosting		Provides a private cloud platform for the hosting of servers, managed up to the operating system. It will ensure appropriate data backups, application and infrastructure resilience, and a hosted environment that meets cloud compliance standards.
Mobile phones and data		Provision and management of mobile phones, tablets and dongles, alongside mobile voice and data.
Printing		Provides print, scan and copy services and the associated multi-function devices
Line of Business Application Support		Provides the ongoing development and the day-to-day running of critical Line of Business applications, for example Mosaic and Academy. The tower will manage these applications, either where delivered as SaaS (Software as a service), or on top of a managed operating system where hosted
WAN		This tower provides the underlying connectivity between sites and to the Internet. It covers the Wide Area Network, Voice over IP (Internet Protocol), Internet connectivity and links to other public sector networks.
LAN/Wi-Fi		Local network connectivity, either wired or wireless. It encompasses the network infrastructure and supporting applications to enable basic network connectivity

## 2.4 Fundamental Requirements for the Future Operating Model

The Council needs to replace and, as a minimum, maintain the current ICT Service provision arrangements currently delivered via the Northgate contract. In doing so, it also needs to achieve two fundamental requirements: 1) robust and responsive delivery and 2) future fitness. These requirements were identified in consultation with senior business representatives and are critical in achieving the Council's digital objectives.

### 2.4.1 Robust and Responsive Delivery

Given the criticality of ICT to operational service delivery, staff must be able to rely on an ICT service which is robust and which can respond to their needs. Business representatives consulted to inform the project overwhelmingly requested:

- **"ICT that works** – the technology is reliable and available; processes work; promises are kept in a timely manner;
- **"Effective operational communication** – the Service Desk understands us and our business; they proactively keep us informed in terms that we can understand."

Notwithstanding the good work by members of the RBC and NPS teams, the requirement for robust and responsive delivery is not being fully met by the current model. As technology and business requirements have evolved over the life of the current contract, gaps and deficiencies have developed. Examples identified during Discovery include:

<b>Service operations</b>	The Council lacks sufficient visibility of the totality of the ICT Service; service information is not integrated and not fully up to date; services are fragmented and under-resourced
<b>Network connectivity</b>	Fragmented between multiple providers with no overall performance monitoring
<b>Security</b>	A multiplicity of services exists, resulting in a complex security landscape in need of rationalisation (on which an immediate programme of work to resolve the most pressing issues is already in train)
<b>End user workspace</b>	An application review has identified the need for rationalisation
<b>Hosting</b>	Server and storage hardware and software infrastructure is aged
<b>Unified communications</b>	Currently limited in scope, with a telephony solution reliant on legacy hardware
<b>Service strategy and assurance</b>	Processes are inhibited by lack of information and resource; objectives are not aligned; the Council is vulnerable to both service interruptions and cost variations.

These deficiencies must be rectified. Doing so will require not only action relating to service towers but also the reinforcement of capabilities within the Council ICT Service team including contract and service management, and technical design assurance.

## 2.4.2 Future Fitness

The ICT Service needs to be capable of supporting the digital transformation of Council services described at 3.2. This was reflected in the views of the senior business representatives consulted, who called for:

- **agility** – new products, services, and technologies can be incorporated efficiently, effectively and at pace;
- **a partnership approach to innovation** – ICT proactively helps the organisation turn technological opportunity into business benefit; it supports and drives innovation and benefits realisation.

**Future Fitness** requires:

- enhanced **business partnering** from the ICT Service – engaging with the business to understand needs and bring technical innovations to bear, in line with the Digital Strategy;
- **currency of technology** – a service sufficiently up to date to be capable of adapting swiftly to new requirements and exploiting the opportunities offered by new technologies;
- **flexibility** – a technically and commercially open structure which makes it possible to introduce new services easily, link services in different ways or replace existing services where necessary.

The current arrangements fall short of meeting these requirements, illustrated by the delayed project to upgrade the organisation to current versions of Microsoft applications (Office 365) and operating systems (Windows 10). The business partnership function has limited resource and has had to be focused on the resolution of operational issues as a result. Deficiencies such as a lack of a complete end-to-end architectural view of ICT, as it has evolved over the life of the current arrangements, have hampered flexibility.

## 2.5 Strategic Case Conclusion

Given the dependence of RBC on ICT for every aspect of its operation – illustrated by the criticality of its services in the covid-19 response – there is a fundamental requirement for the ICT service to provide robust and responsive delivery.

Future Fitness is a similarly fundamental requirement, to enable the digital transformation that underpins so much of the organisation's transformation programme.

The Discovery stage of this project confirmed that a step change is necessary to deliver the ICT service the Council needs for the future. The opportunity presented by the transition from the current ICT Service provision will enable this step change and the resultant benefits.

## 3 Economic Case

### 3.1 Purpose of the Economic Case

The purpose of the Economic Case is to identify the best Value for Money option for meeting the requirements set out in the Strategic Case. It sets out:

- the options for the Future Operating Model, showing how an initial set of options (section 3.2) was further refined based on market engagement (section 3.3);
- an evaluation of the options (sections 3.4), carried out in line with the method approved at the April ICT Future Operating Model Project Board, and identification of a preferred option (section 3.5).

### 3.2 Future Operating Model Options Definition

#### 3.2.1 Option 0 – Replicate as-is outsource

The Council procures the services of a single replacement supplier to take on the existing solutions and services, which do not change beyond a basic level of technology refresh. Current levels of investment and support are maintained. The in-house ICT Service and team structure are unchanged. This is a ‘Do Minimum’ option.

#### 3.2.2 Option 1 – Optimised outsource

The Council procures the services of a single supplier to provide all ICT Services and ensure the integration and innovation of those services to meet the Council’s strategic needs. This option builds on the current operating model with Northgate but is enhanced both to address the Strategic Case for change and to remedy deficiencies in the current arrangements identified through Discovery. This would change the scope of both the supplier and the in-house service. This option differs from Option 0 as follows:

- The in-house team would be restructured and grown to address identified gaps in service assurance, technical design assurance and governance, service and performance management and contract management.
- This would involve a net increase in the size of the team from 12 to 23 staff, providing:
  - a service integration and operational delivery management function including portfolio management, contracts management, service management operations and demand/catalogue management;
  - additional business partnering capability;
  - an ICT Project Management Office function;
  - a Line of Business applications analytics and reporting function;
  - a Technical Design Authority and Assurance function including digital innovation, business and strategic assurance, and security, risk and quality assurance and compliance.
- It includes the technology refresh required to enable the Council to keep up to date with application releases and take advantage of market developments in technology, in line with the strategic case for change. Specifically, it adopts an “N minus 1” release policy, in line with common industry practice, whereby the organisation remains no more than one major release behind the current version of its technologies.

### 3.2.3 Option 2 – Smart-sourced

The Council transitions each of its ICT Service components (towers) to the most appropriate provider or end state, creating a ‘best of breed’ model that integrates interdependent services from various in-house, external or shared service providers into a fully managed service. Suppliers are contracted to refresh solutions and services to maintain currency as in Option 1. The in-house service is redesigned to assure and enhance the new model (as in Option 1), and/or to provide some of the services in scope. In particular, the in-house team’s scope is expanded to cover service integration, as responsibility for managing multiple suppliers resides with the in-house team under Option 2.

## 3.3 Option 2 – Design and Options

This section describes how potential variant models for Option 2, combining ICT Services in optimal ways, have been developed based on feedback from the Market Engagement exercise described below.

### 3.3.1 Commercial Provider Market Engagement Findings

The project team conducted a soft Market Engagement exercise to identify:

- If there is there a market interested in supplying the ICT Services that the Council is seeking to procure;
- How the market believes these services should be brought to market (bundled);
- Rough order of magnitude (ROM) costs for these services.

Market engagement commenced on 16 April 2020. The purpose of market engagement was to seek feedback on the proposed design options from proven commercial providers of the core service towers, who have experience delivering within ‘smart-sourced’ settings.

Suppliers were identified through frameworks, market analysis, and by investigating the suitability of the suppliers’ solutions and experience. ROM pricing and input on factors likely to drive costs were sought from suppliers for incorporation into the Financial Case and to inform the Value for Money assessment in the Economic Case.

The design options were refined and adjusted through supplier dialogue as recommendations emerged that offer commercial or operational benefit.

Details of the soft market engagement exercise and findings are provided in Annex A. The key points arising were as follows:

- Overall, the market endorsed our analysis of service design options. Only one supplier believed the smart-source model did not offer Value for Money, clearly preferring to act as a single prime. All other suppliers recommended smart-sourcing based on individual towers or bundles of towers (Option 2).
- The market highly recommends that Service Desk and IT Service Management tooling should be bundled together, however delivered.
- Suppliers also advised that End User Services provision should be closely coupled to the Service Desk, as many tickets are driven by this service so that it is more efficient to keep the two towers aligned. This suggests that Service Desk, IT Service Management tooling and End User Services should be procured or developed together.
- Hosting is highly commoditised, with almost all the suppliers consulted offering a variant of this capability.

- Unified Communications (UC) was similarly of interest to a broad range of the suppliers consulted, with consistent advice that whatever platform is used, UC as a Service should be adopted.

### 3.3.2 Shared Service Market Findings

In parallel, engagement has been undertaken to explore the potential for elements of the model to be sourced or developed as shared services with other Local Authorities or shared service providers that have themselves developed from Local Authority ICT service provision. Details are provided in Annex A. The main conclusions are:

- We have not, to date, been able to identify a shared service model that fits the Council's requirements and is offered to the market.
- The most successful ICT shared services have been local strategic collaborations not open to wider use.
- Those shared services that are providing services more widely do not appear able to meet our requirements.
- There is some local (officer level) interest in collaboration but not of a full shared services nature.

### 3.3.3 Future Operating Model Tower bundling and options assessment

Using the findings of the market engagement, options for each individual tower were assessed for **feasibility** (affordability, market availability and achievability by exit date) and **desirability** (alignment with design principles, best practice, business drivers, relative cost). The top-level conclusions were:

- **Service Desk, End User Services (End User Services) and IT Service Management tooling** should be bundled. There is a strategic choice to be made in the Business Case as to how these are to be procured. This choice profoundly affects the procurement and delivery plan and hence the comparison of these options is the primary focus of this paper. The options are:

- **Option 2A – Procure managed service:** This is a standard market offering. Service providers have existing operational processes and knowledge capture and maintenance processes that would address deficiencies identified in Discovery, and the market includes suppliers with local government experience.

In Option 2A, the in-house function would be further developed to include greater service integration and contract management capability. Compared with Option 1, this would add 4 staff, taking the total team size to 27.

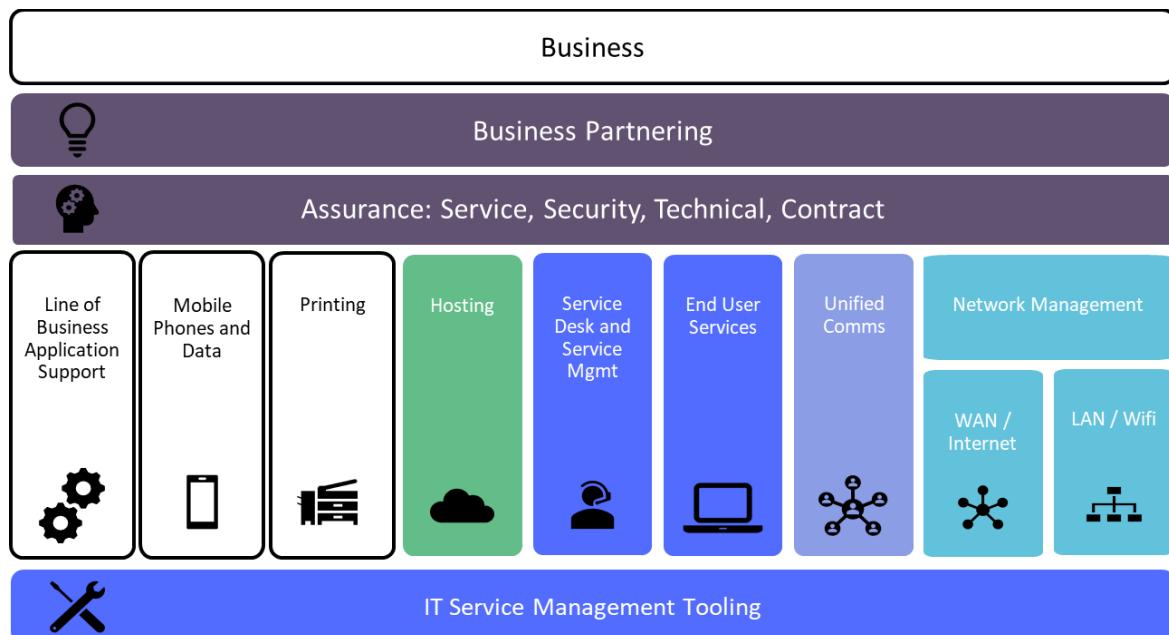
- **Option 2B – Build in-house service:** This would involve in-house provision of a Service Desk/Service Management and End User Services 'intelligent hands' deskside support service. Natural synergies with the overall Service Assurance and Business Partnering functions offer the opportunities for a more seamless ICT user experience both operationally and strategically than that of Option 2A.

This needs to be balanced against the costs of creating and maintaining this capability locally and at the required scale: compared with Option 2A, an additional 24 staff would be required, taking the team size to 51.

- There are shared service variants of both Option 2A (where an existing shared service is found to be better VFM than a commercial provider, though a suitable candidate has not yet been identified) and Option 2B (where we collaborate with another Authority to build a capability and/or offer it to others once built):

- An existing shared service proposition for Option 2A could be pursued via an appropriate procurement route.
- Building an Option 2B capability to then offer to the Local Authority market does not appear to be financially or operationally practical, based on existing shared service offerings, or a priority for the Council.
- While design options for **Printing and Applications Support** remain open, they are independent of the Option 2A/2B choice and (while there may be some savings) are unlikely to have a significant effect on the Financial Case. For the purposes of the business case, an extension of the status quo has been assumed. The options – and their benefits – will be pursued as part of the remaining Future Operating Model design work and in transition.
- Current arrangements for **Mobile and Data** should be maintained.
- **Hosting, Unified Communications and Network Management** (including WAN/Internet and LAN/Wi-Fi) are commodity services. The Market Engagement exercise has confirmed that an individual smart-sourcing approach to these services is preferable and they should be procured via a multi-lot procurement programme. Natural efficiencies between lots may be realised but that does not mean that tower lots should be combined as this would reduce market choice and Future Operating Model flexibility. The procurement programme need not be a single multi-lot procurement; it may comprise a set of procurements overlapping in time but each using the most appropriate procurement route for its content.

The bundling of Tower options described above can be represented as follows, the coloured towers representing the discrete procurements' scope during Transition:



## 3.4 Options Evaluation

### 3.4.1 Evaluation Approach

This Business Case focuses on assessing Value for Money for the proposed Future Operating Model in achieving optimal ICT Service delivery. Value for Money is mapped against two dimensions:

- Cost (NPV) of the Future Operating Model and the ICT Services it will deliver – this is covered in the Finance Case
- Strategic Effectiveness of the Future Operating Model and the ICT Services it will deliver.

These are combined in an assessment of the Future Operating Model options defined above. The cost-vs-effectiveness approach is adopted in preference to a purely financial evaluation because, while the Future Operating Model is expected to be a significant enabler of financial benefit across the organisation, this cannot be fully quantified as the digital strategies that the model will enable have not yet been developed across every service within the Council.

The evaluation approach can be summarised as follows:



The Future Operating Model options have therefore been assessed by evaluating:

- The financial analysis (from the Financial Case) based on ROM costs for the defined Future Operating Model options and sub-options, derived from the Market engagement and the Council internal staff costs. The Financial impact i.e. the total cost plus weighted financial risk/opportunity impact, expressed as 5-year NPV. This is addressed in the Value for Money and Affordability Assessment sections below.
- Effectiveness in fulfilling the strategic objectives of the project. Scoring against the Strategic Effectiveness evaluation criteria is detailed in the section below.

### 3.4.2 Options Evaluation – Strategic Effectiveness

#### 3.4.2.1 Strategic Effectiveness Criteria

Criterion	Scoring Considerations
<b>Quality of service</b>	Informed by the earlier Discovery work, the extent to which the option can provide the required service levels, and address the deficiencies in the current services, meeting the strategic requirement for <b>robust, responsive</b>

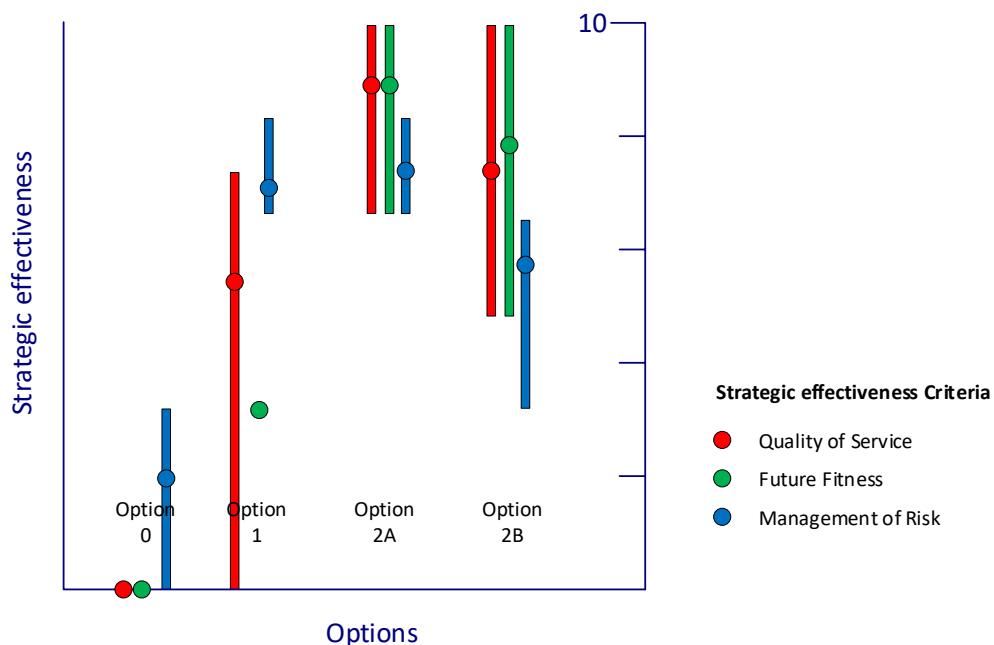
	<b>delivery</b> that was embodied in business representatives' calls for "ICT that works" and "effective operational communication"
<b>Future Fitness</b>	To what extent does the design option respond to business representative's calls for "responsiveness to change" and "partnership for innovation"?  Is it rapidly scalable?  Does it have characteristics that makes it more/less likely to create barriers to the adoption of new technologies or integrations?
<b>Management of risk to strategic effectiveness</b>	During transition to the Future Operating Model and ongoing operational delivery: <ul style="list-style-type: none"> <li>• Transition risk</li> <li>• Security, availability and operational performance risks</li> <li>• People risk – recruitment and retention</li> <li>• Risk transfer to other parties better placed to manage</li> </ul>

### 3.4.2.2 Assessment

These criteria were evaluated by the Chief Digital and Information Officer, Associate Director for Procurement and Contracts, and members of the Council ICT Service team, supported by the Transition team. Each Future Operating Model option was qualitatively assessed against each criterion using the following scale:

Score	Description
3	An excellent fit with the criterion and most likely to result in success
2	A good fit and alignment with the criteria
1	Partial fit – some criteria met
0	A low score; does not meet our criteria and will prove challenging

Scoring was relative, not quantitative, and supported by rationale. Individual scores were aggregated to produce a mean average and a range. The scoring approach is therefore indicative of perceived differences between the Future Operating Model options rather than being robustly scientific. No weighting has been applied across the criteria. The following graph depicts the resultant scores:



**Option 0 rationale** – The collective view was that this option did not satisfy the Quality of Service and Future Fitness criteria. Management of Risk scored slightly higher because it represents minimum change during Transition.

**Option 1 rationale** - The enhanced ICT outsource option scored uniformly low on Future Fitness given the inherent constraints that a single primary supplier is likely to impose on flexibility and adaptability, the opportunity to change services or service providers. Quality of Service provoked mixed views with a midpoint average, this depended on perspectives about the extent to which service improvements could be enabled given the ICT outsource model and across different service of Future Operating Model towers. Management of Risk scored relatively highly with a narrow range. The enhanced service from both the internal Council ICT Service team and a single ICT prime outsource provider is considered to reduce risks both through transition and in future operation.

**Option 2A rationale** - Quality of Service and Future Fitness scored uniformly high with similar ranges. The ranges reflect the extent to which the team felt that the overall Option 2 smart-sourced approach will deliver Strategic Effectiveness, given the degree of seamless working across the ICT service between the Council ICT Service internal team covering Business Partnering and Service Assurance/Management, with a manged service provider for Service Desk/Management and End User Services. With an optimal provider, the potential relationship was considered to be excellent. Management of Risk was scored uniformly high with a narrow range, similar to Option 1. This criterion was considered not to minimise risk entirely and is dependent on the in-house Council ICT Service team's ability to manage an integrated multi-source service.

**Option 2B rationale** - Quality of Service and Future Fitness scored similarly with a relatively wide range of scores compared with Option 2A and slightly lower averages. The lower scores reflected concerns over the Council's ability to stand up and operate an effective operational Service Desk/Management and End User Services deskside support 'intelligent hands' service compared with a managed service provider in Option 2A, primarily because of the scale, lack of experience and increased fragmentation in the service model. (IT Service Management tooling would be procured separately and it would not be possible to integrate End User Services and UC into a single service). However, the upper bounds of the scoring range reflected a view held by some that these drawbacks could be outweighed by the increased business intimacy and knowledge to be gained through an in-house team.

The Council officers' priority requirements identified in the Strategic Case, and aligning with the required ICT Service capabilities, also align with and reinforce the Strategic Effectiveness assessment.

The results of a structured and facilitated group discussion with senior business representatives were consistent with the assessment. Officers expressed a preference and belief that there is value in using an established, professional industry-standard technical support service for Service Desk, Service Management and Deskside support, providing it is well briefed and informed through local knowledge transfer. This outweighed the potential value gained through business intimacy from an in-house service, primarily because of the reduction in risk in setting up and maintaining the service. This reflects the requirements identified in the Strategic Case for both robust and responsive delivery and Future Fitness capabilities.

### 3.4.2.3 Conclusions

The Strategic Effectiveness assessment concluded that:

- Option 0 is, as anticipated, not a viable option.
- Option 1 is viable and relatively low-risk but will not fully meet the Quality of Service or Future Fitness objectives although it remains a relatively low-risk option.
- Both variants of Option 2, reflecting the outcomes from the Market engagement exercise, meet the Strategic Effectiveness objectives more fully than Option 1, particularly on Quality of Service and Future Fitness.
- The differentiation between Options 2A and 2B is finely balanced. Option 2B was judged to be no more effective than Option 2A but with higher risk, particularly around transition.

### 3.4.3 Cost Assessment

A summary of the total cost implications of each option is presented below.

Existing software, service, and staffing costs have been gathered from Council ICT Service budgets, spend analysis, invoicing, contract records and current supplier Northgate CCNs.

Future commercial service costs have been informed by the Market Engagement exercise. A number of suppliers provided Rough Order of Magnitude (ROM) costs for each of the towers of service, and outlined assumptions associated with their pricing. Adjustments were made to:

- Recognise where existing Council assets, software and licensing could be reused in the provision of the new service.
- Ensure a like-for-like comparison across supplier ROMs where possible (e.g. by adjusting the number of licences to ensure an equal comparison could be made).
- Identify appropriate mid points in pricing where a variety of tiers of service were offered (gold, silver, bronze).
- Discard outlier ROM pricing (high or low) that did not reflect the scale or type of service required.

The suppliers indicated that ROM pricing can vary ±20% for annual charges but may vary by ±30% for transition and implementation charges. This is particularly true with respect to migration to a new hosting solution, which is a complex process requiring focused engagement, analysis and planning in order that an appropriate approach and price can be built.

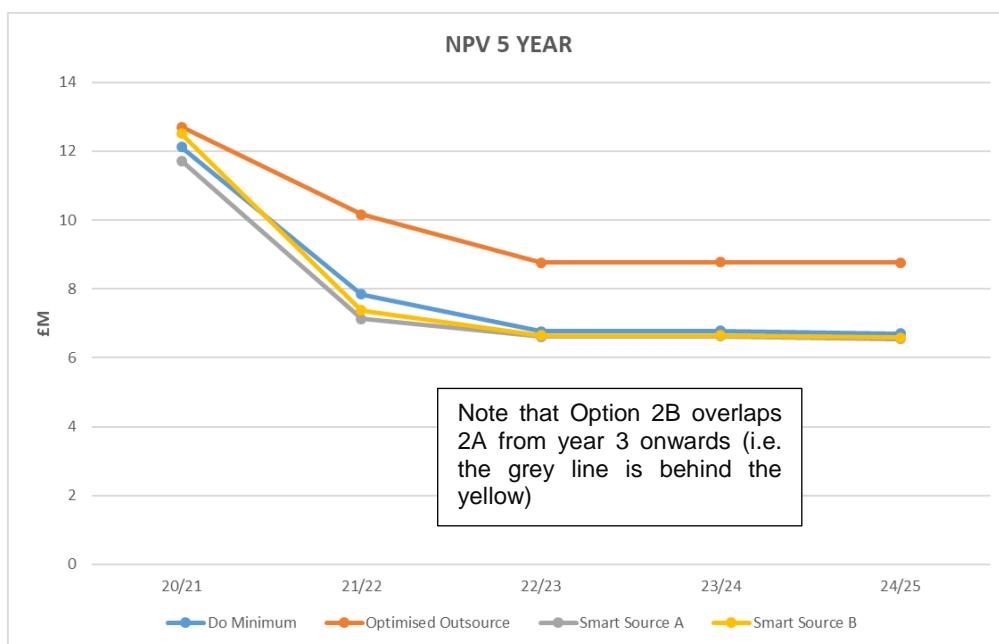
The costs of the intelligent client function for Options 1, 2A and 2B were derived through an organisational design process driven both by good industry practice models for the design of such functions and by an analysis of the additional capabilities needed to address the current deficiencies

identified in the Discovery activity and referenced in the Strategic Case. The in-house function costs of Option 2B were informed by an analysis of historic service ticket volumes, industry practice, and comparison with other Local Authorities.

In the absence of any ROM for a prime service from a single prime contractor, the estimates for the provider element of Option 1 are a judgement based on consideration of both:

- what provider work would be required to remedy deficiencies in Option 0 (i.e. extrapolating from Option 0 to Option 1);
- the charges that a supplier integrating the various towers for which estimates have been obtained would be likely to make, covering both service integration and management, and margin on subcontracted services (i.e. extrapolating from Option 2 to Option 1).

Note that there is a restructuring cost risk associated equally with all Options. Given that such costs are understood to be centrally provided for (so not relevant to the Financial Case) and the cost is equal for all Options so does not affect the VFM assessment, they have been omitted at this stage.



**Option 2A – Smart-source** has the lowest cost, with Option 2B following very closely. There is little difference in revenue costs between the options, but higher capital costs are associated with Option 2B as set up of an in-house service requires significant investment.

**Option 2B – Smart-source** has an additional risk (not shown on the diagram) which must be considered with respect to the implementation or ‘start up’ of the in-house Service Desk, Service Management and End User Services Deskside Support service. This relates to the complexity of setting up an in-house service and considers how this factor might increase programme and transition costs as a result of a protracted design and set up phase, and through the need to retain contract staff for a period while recruitment is pursued and the service ‘beds in’. An additional capital risk of £370k is considered prudent for this option (giving a Cash Impact total of £41.13m)

**Option 0 – Do Minimum** requires significant investment to perform a minimum and comply with minimum PSN/PCI standards. A refresh of the server infrastructure, critical firewall devices, and an upgrade the SQL estate is required. Up to date Anti-Virus software is required across the estate. A ‘lift

and shift' to a new data centre would also be required under this option. As many devices are end of life, a refresh of 25% of the end user device estate per annum has been factored into the costs for all options from years 2 to 5.

**Option 1 – Optimised Outsource** has the highest cost. Margin and overhead associated with an outsource provider have been factored into the annual charges and the refresh charges. Migration to a new cloud hosting service has also been assumed alongside the minimum refresh, and an uplift to charges to reflect an enhanced service that maintains the estate at 'N-1' across the 5 years. The in-house Council ICT Service team is also enhanced under this option - with several new roles required to address key gaps in current capabilities - albeit not to the same extent as under the Smart-source options.

The following table provides the relevant details:

<b>Option 0 - Do Minimum</b>							
Do Minimum	<b>Costs per year £m</b>						
	YR	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Revenue	6.12	6.37	6.37	6.38	6.38	31.61
	Capital	6.24	1.63	0.54	0.54	0.47	9.42
	Cash Impact	12.36	8.00	6.90	6.92	6.84	41.02
	NPV	12.11	7.84	6.77	6.78	6.71	40.20
<b>Option 1 - Optimised Outsource</b>							
Outsource	<b>Costs per year £m</b>						
	YR	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Revenue	6.29	8.74	8.39	8.40	8.40	40.23
	Capital	6.67	1.63	0.55	0.55	0.54	9.94
	Cash Impact	12.96	10.38	8.94	8.96	8.94	50.17
	NPV	12.70	10.17	8.76	8.78	8.76	49.17

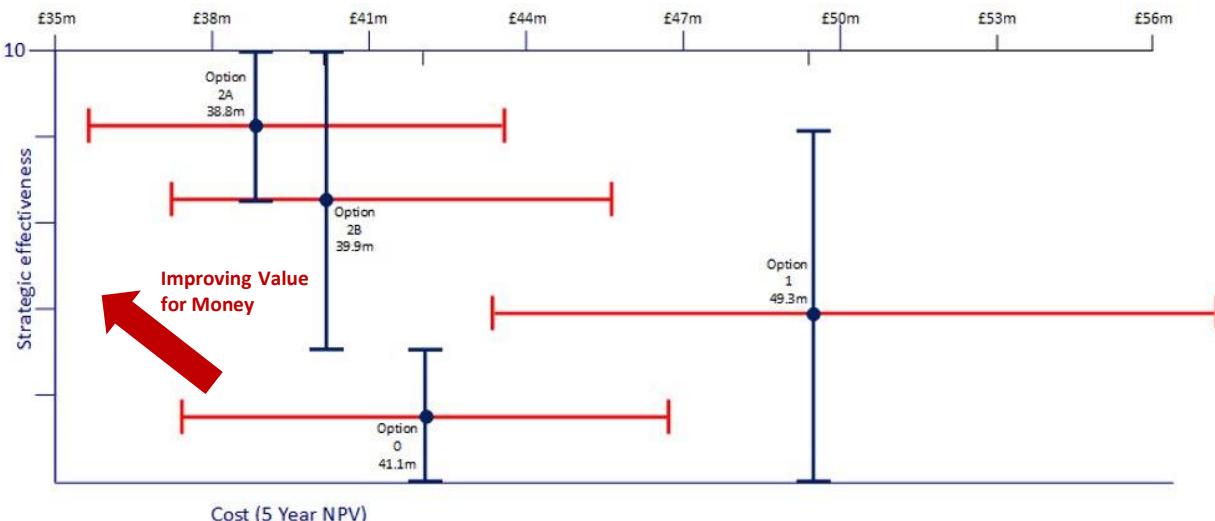
  

<b>Option 2A - Smart-Source</b>							
Smart Source A	<b>Costs per year £m</b>						
	YR	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Revenue	6.11	6.60	6.21	6.21	6.21	31.36
	Capital	5.84	0.67	0.54	0.54	0.47	8.05
	Cash Impact	11.95	7.27	6.75	6.76	6.68	39.41
	NPV	11.71	7.12	6.62	6.62	6.55	38.62

<b>Option 2B Smart-Source</b>							
Smart Source B	<b>Costs per year £m</b>						
	YR	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Revenue	6.11	6.87	6.25	6.25	6.25	31.73
	Capital	6.65	0.67	0.54	0.54	0.47	8.86
	Cash Impact	12.76	7.53	6.79	6.79	6.72	40.59
	NPV	12.51	7.38	6.65	6.66	6.58	39.78

The figure below plots overall Value for Money over the two assessment dimensions, with the centres representing most likely cost (five years NPV), the horizontal red lines illustrating cost uncertainty and the vertical blue lines illustrating the Strategic Effectiveness assessment.



### 3.5 Economic Case Conclusions and Recommendations

Based on the Value for Money assessment above, it is possible to conclude:

- The baseline Option 0 is not seen as viable and would not represent Value for Money.
- Option 1 is assessed to be higher cost than both variants of Option 2 and judged to be less effective than either, and therefore is not a preferred option. There is therefore a *prima facie* case that the project should proceed on a smart-sourcing basis rather than seek to procure a single strategic partner. However if a single supplier were to be successful on all lots under Option 2A, then the possibility of engaging that supplier as a strategic partner could be assessed. Hence the possibility for the market to demonstrate the value for money of Option 1 is not excluded.
- The choice between Options 2A and 2B is more finely balanced. Once established, their strategic effectiveness and running costs are likely to be broadly comparable. However, the setup costs and transition risks for Option 2B are assessed to be significantly greater than for Option 2A because of the significant work required to build an in-house capability from ground up.
- Because of this up-front need for investment, with associated cost and operational risk, we assess that Option 2B would offer poorer Value for Money than Option 2A. This would be the case at any time. However, current circumstances make the difference between the options even clearer.
- The impact of the additional costs of Option 2B would fall at a time when the organisation is under increased financial pressure owing to covid-19. Meanwhile, the short time available for transition would increase the potential consequences of transition risk, threatening both normal operations and the loss of momentum on transformation programmes such as Customer Experience.
- Given that Option 2B offers poorer Value for Money, and also poses additional short-term risks, **Option 2A is recommended as the preferred option.**

## 4 Finance Case

### 4.1 Purpose of the Finance Case

The finance case assesses the affordability of the proposed plan (which, it should be noted, has lower costs than all other options in all years). All figures exclude VAT and indexation. Of the options under consideration, the key financial metrics and assessment of each are highlighted below.

- Revenue: The revenue impact of the option (excludes indexation, depreciated capital and VAT);
- Capital: Capital excluding VAT and cost of capital.

Restructuring risk is excluded as it is understood that such risks are managed centrally.

### 4.2 Revenue

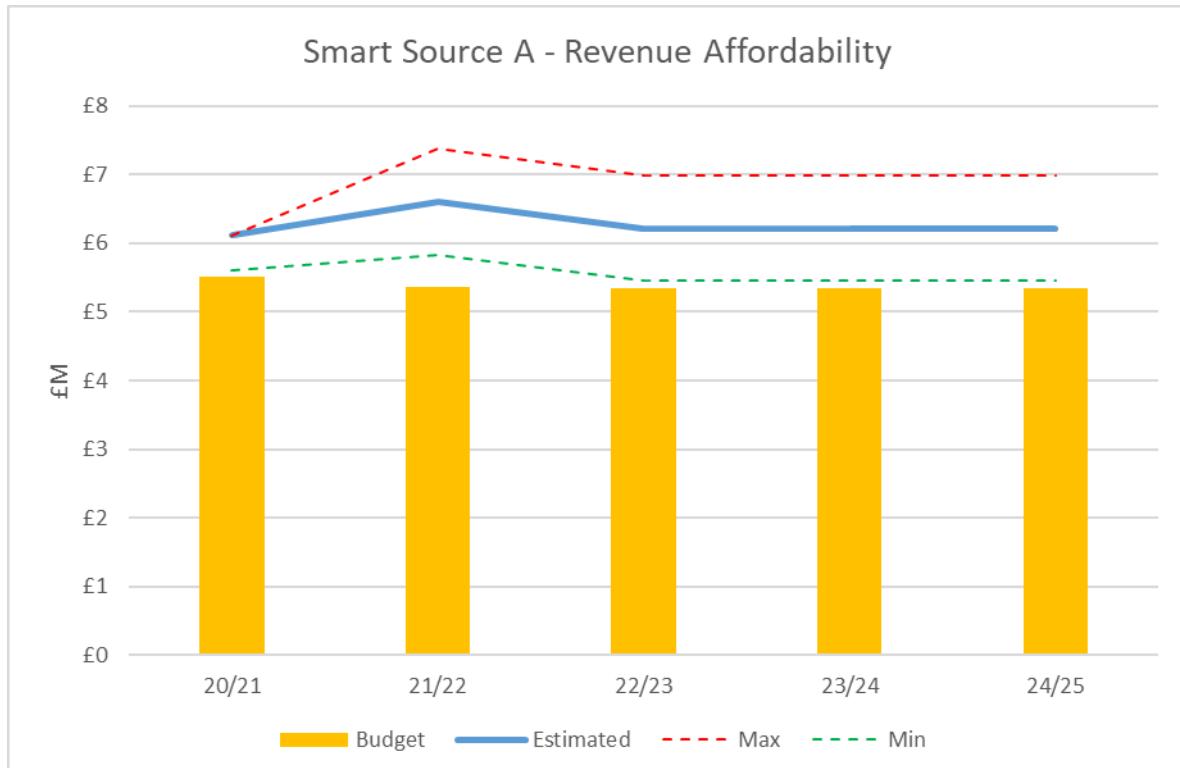
The estimated revenue profiles for each option, before the application of +20% uncertainty associated with ROM costs, are provided below:

Affordability Revenue						
Year	20/21	21/22	22/23	23/24	24/25	Total
<b>Do Minimum</b>	£6.12	£6.37	£6.37	£6.38	£6.38	£40.23
<b>Optimised Outsource</b>	£6.29	£8.74	£8.39	£8.40	£8.40	£31.36
<b>Smart Source A</b>	£6.11	£6.60	£6.21	£6.21	£6.21	£31.36
<b>Smart Source B</b>	£6.11	£6.87	£6.25	£6.25	£6.25	£31.73
<b>Budget</b>	<b>£5.51</b>	<b>£5.36</b>	<b>£5.35</b>	<b>£5.35</b>	<b>£5.35</b>	

The diagram overleaf plots the revenue profile of Option 2A against budget. The blue solid line is the estimated value while the green and red dotted lines reflect minimum and maximum respectively. These primarily reflect the market ROM estimating uncertainty of ±20%, together with uncertainty over dual running costs in 20/21.

The revenue profile presents a budget challenge, with even the (highly unlikely) minimum bound being marginally over budget. There may be opportunity to reduce cost through “value engineering” of the requirement but it is unlikely that this will wholly close the gap, though it may serve to mitigate the risks illustrated by the upper bound.

20% Uncertainty Revenue	20/21	21/22	22/23	23/24	24/25
Year	20/21	21/22	22/23	23/24	24/25
<b>Estimated</b>	£6.11	£6.60	£6.21	£6.21	£6.21
<b>Max</b>	£6.11	£7.38	£6.98	£6.98	£6.98
<b>Min</b>	£5.61	£5.83	£5.45	£5.45	£5.45



## 4.3 Capital

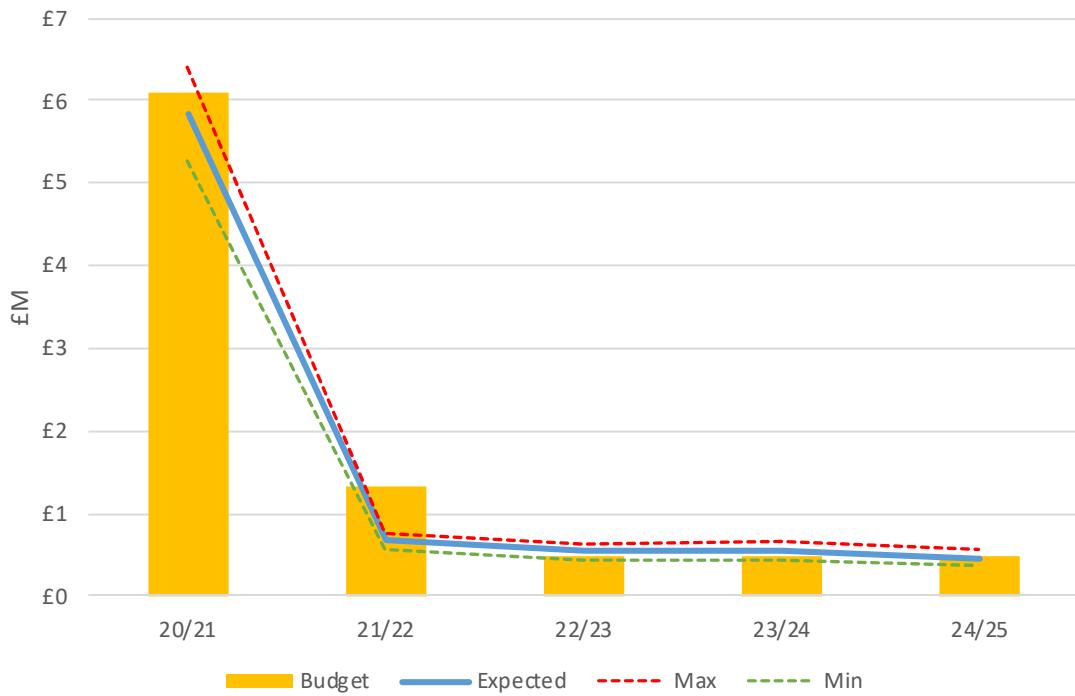
The estimated capital profiles for each option, before the application of +20% uncertainty associated with ROM costs, are provided below:

Affordability Capital						
Year	20/21	21/22	22/23	23/24	24/25	Total
<b>Do Minimum</b>	£6.24	£1.63	£0.54	£0.54	£0.47	£9.42
<b>Optimised Outsource</b>	£6.67	£1.63	£0.55	£0.55	£0.54	£9.94
<b>Smart Source A</b>	£5.84	£0.67	£0.54	£0.54	£0.47	£8.05
<b>Smart Source B</b>	£6.65	£0.67	£0.54	£0.54	£0.47	£8.86
<b>Budget</b>	<b>£6.10</b>	<b>£1.34</b>	<b>£0.50</b>	<b>£0.50</b>	<b>£0.50</b>	

Provided some adjustments are made across the term, the overall capital envelope is affordable. Suppliers have indicated that ROM pricing can vary ±20% for annual charges. There is particular uncertainty around the costs of migration to a new hosting solution, as the process is complex and will require further analysis and development throughout the procurement process.

20% Uncertainty Capital	20/21	21/22	22/23	23/24	24/25
Year	20/21	21/22	22/23	23/24	24/25
<b>Estimated</b>	£5.84	£0.67	£0.54	£0.54	£0.47
<b>Max</b>	£6.40	£0.77	£0.65	£0.65	£0.56
<b>Min</b>	£5.27	£0.56	£0.43	£0.43	£0.37

### Smart Source A - Capital Affordability



Note on Asset Transfer: Obligations exist for the Council to purchase the ICT equipment from Northgate at the end of the agreement for a sum of £250k. This agreement will need to be drafted and executed by the parties at an appropriate point in time. An assessment of the financial accounting implications of such a transfer will need to be considered.

## 4.4 [Redacted owing to commercial sensitivity]

## 4.5 Finance Case Conclusion

**Option 2A** (like all options) presents a revenue affordability challenge, but it is the lowest cost and, as set out in section 4, provides best value for money. It therefore remains the preferred option. It is recommended that work starts immediately on identifying how this can be provided for in the budget while taking all appropriate steps possible in the procurement and implementation to minimise cost.

It should be noted that this Financial Case is based on market ROMs and assumptions about likely solutions. As each service is sourced/procured, the actual costs will be refined and documented in tower-specific full business cases. It is expected that variances will occur across activities and suppliers, but overall costs are expected to remain within the overarching financial envelope. While the project will aim to minimise cost, there is uncertainty around the “estimated cost” figures used here, and it would be prudent to ensure that the maximum envelope can be provided for.

## 5 Commercial Case

The move from an outsource to a smart-source operating model will involve changes in the commercial model for ICT services.

The commercial case provides assurance that the services required are available and that there is an appropriate route to market to buy them. It also describes a set of commercial objectives that are aligned to the key outcomes for the programme. The objectives guide the commercial strategy and ensure that risks and opportunities associated with the new model are clearly understood and managed through robust commercial planning and management.

### 5.1 Commercial Objectives

The following objectives have been agreed with RBC and will guide the development of procurement strategies, commercial requirements and contract terms, charging structures, performance management regimes, and future contract governance arrangements. The objectives also inform the approach to agreeing Exit Arrangements with NPS.

Programme Driver	Commercial Objectives
<b>Quality of service</b>	Enable effective performance management: SLAs, KPIs, remedies, commercial governance. Embed collaboration agreements and pan-contract service processes. Embed “fix first, argue later” principles.
<b>Future Fitness</b>	Enable the Council to access the services that meet the requirement. Enable flexibility: termination clauses, avoiding exclusivity, encouraging close relationships, flexible change processes, commercial terms that enable responsiveness to new opportunities and market developments.
<b>Management of risk</b>	Enable a rapid and orderly transition. Transparency and predictability: Clear charging models, known variables, quantifiable risk, catalogue pricing, fixed price where possible, fixed margin, known cost drivers, clear mechanisms for savings and opportunities and achieving Value for Money, contract management and governance, minimise dual running.
<b>Value for Money</b>	Achieve Value for Money. Enable the Council to access the ‘right’ suppliers (i.e. those that are a good fit strategically). Design a procurement process that permits consideration of shared services where available and allows the Council to consider offers from bidders that target all towers. Enable the Council to achieve value for early transitions (e.g. initiate early procurement of the Unified Comms tower to enable Customer Experience Strategy). Enable achievement of social value through employment opportunities.

It is recognised that these objectives will sometimes pull the procurement strategy in opposing directions and therefore a balance will need to be achieved based on overriding benefit.

## 5.2 Procurement Strategy

The procurement strategy is designed to meet the commercial objectives of:

**Fitness for the future:**

- by enabling the Council to access the ‘right’ suppliers that are a good fit strategically.

**Maximise VFM:**

- by making the most of government frameworks, noting that the services being procured are of a standardised and, in some cases, commodity nature;
- by enabling suppliers to bid for more than one service, thereby allowing the Council to recognise additional value if offered;
- by enabling the Council to consider Shared Services bids alongside those from commercial providers;
- by including social value within the evaluation of bids.

**Management of risk:**

- by enabling a rapid and orderly transition.

### 5.2.1 Routes to Market

The services being procured are well defined and, in some cases, commodity. RBC is not procuring bespoke systems but commercial capabilities configured with process or content to reflect its needs. These systems and services are available through Government frameworks and therefore the suppliers under consideration have already been through a process to establish evidence of value (though the level of assurance varies between frameworks and is only a starting point for what will be a robust process).

Procurement will be to rigorous specification of our needs, procured through existing frameworks such as the Government Digital Market Place, Digital Outcomes, or G-Cloud. Specialist local government frameworks will also be considered as they can offer flexible and focussed competition with suppliers who have specific experience working with Councils. An assessment of each route against our procurement objectives will be undertaken to ensure that a good fit is identified.

### 5.2.2 Optimal Procurement Approach

Two approaches are possible, with one emerging as the preferred route that meets our objectives of achieving Value for Money and a rapid and orderly transition.

**Option 1 (preferred) multiple staggered procurements**

- Each bundle is procured through the most appropriate government framework, allowing the right specialist suppliers of those services to bid.
- The procurements are staggered, so that the same personnel can carry out the same tasks for each (e.g. one requirements team) and so that any issues in one procurement do not unduly jeopardise others.
- The most urgent procurements (e.g. Hosting, which has a long transition period) are run first.
- The whole procurement plan is communicated clearly to the market so that any bidder wishing to target a position as a prime contractor has the ability to bid for all.

**Option 2 (not recommended) single multi-lot procurement**

- Bundles are multiple lots in a single procurement, making it more straightforward for a single supplier to bid. A framework accommodating all lots is likely to exclude some suppliers who would otherwise bid, restricting competition and risking VFM.
- The whole procurement is conducted in parallel:
  - A larger team will be needed, with the necessary onboarding increasing cost/risk;
  - The more complex single procurement is likely to take longer, possibly putting critical path transition elements such as Hosting at risk.

### 5.2.3 Procurement Design

#### 1. Bundle 1: Hosting

This specialist service is readily available for procurement through G-Cloud, although alternative frameworks are available, such as TS2, and will be assessed. This is the riskiest and most complex of the service migrations. The strategy seeks to procure this service as soon as possible in order to manage risk and complexity. Specialist suppliers of hosting services can offer their services directly, or via a third party ‘fronting’ the cloud service (though such arrangements would involve additional margin and impact Value for Money considerations).

#### 2. Bundle 2, and 3: Service Desk, EUS and Network Management Services

It is likely that these procurements could be run closely alongside each other as two Lots under the same framework, or as two separate but concurrent procurements under two separate frameworks. Provided the bidders provide services through the selected framework(s), they can target both services.

#### 3. Bundle 4: Unified Communications (potential to procure early and bundle later).

The Council is considering transition to a new UC service early if it is determined that such a move accelerates benefits for the Customer Experience Strategy. This procurement could be awarded early, subject to understanding the cost/benefit position. The winning bidder may also bid for Bundle 2 and 3 provided they offer this service through the chosen framework.

If there are economies of scale (that outweigh any integration costs or margin-on-margin effects) to be gained from one supplier providing multiple – perhaps all – bundles, then this is allowed for and tested in the procurement process. In extremis, if there is an Option 1 that is better VFM than Option 2A, it should be possible for this to emerge, provided the bidders also provide each of the bundles service through the chosen frameworks. These suppliers are likely to be generalist providers fronting subcontracts with specialists and therefore margin upon margin may dilute any anticipated gains from aggregating the bundles.

If one supplier were to win all lots, the commercial model would more closely resemble the single outsourcer arrangement that we currently have with Northgate but without the integrating function. The provider might offer some gains from having a single account manager or service delivery manager across towers. Separate contracts for each bundle would be secured with the same supplier, however, allowing the Council to award elements of the service to other providers upon expiry or termination of any one of the contracts.

If a Shared Service is identified that can meet the Council’s needs, it can be evaluated at the same time and in the same manner as the commercial competition provided this is communicated to all bidders at the outset of the exercise.

### 5.2.4 Procurement Preparation

In order to meet our objectives of an orderly transition and to run an effective procurement that achieves accurate pricing and minimises subsequent change, robust preparation for each procurement

is critical. Detailed requirements or specifications must be defined, and materials prepared, that accurately size and describe the technical estate. This will require detailed conversations with the incumbent and detailed analysis of multiple sources of data.

As part of this phase, procurement plans will be developed that will incorporate evaluation of the best route to market and the development of information packs, requirements documentation, evaluation criteria, scoring methodology and panels. Any particular governance arrangements that are required for approvals and contract signature will also be considered in the preparation phase.

### 5.2.5 Evaluation Criteria

A framework for evaluation criteria will be established, allowing the Council to evaluate costs as well as qualitative considerations such as the bidder's capability to deliver, and the social value arising from an award.

Evaluation criteria and weighting will be established for each procurement. These will adhere to the structures and guidelines set out for the frameworks in question. Weightings will reflect the relative importance of the various qualitative evaluation points to the overall effectiveness and success of the service in question. For example, the quality of commodity hosting platforms may not vary greatly across suppliers, but confidence in migration plans may well vary considerably and therefore in that case, a greater weighting would be applied to implementation scores.

## 5.3 Contracts

In developing contract terms and structures, our key commercial objectives will be met as follows:

**Quality of Service:** As we are using government frameworks, contracts structures are set by the framework, however we can depart from aspects of the terms and incorporate schedule amendments to ensure our requirements are met. For example, all bidders will be advised at the outset of any procurement exercise that they will need to sign up to a collaboration agreement and that they will be working within a Smart-Source Model. Collaborative working (for example commitment to a "fix first; argue later" policy) will be required at each stage of the ITIL processes. Joint problem management and service reviews will be expected, and hand-offs of responsibilities will need to be designed across multiple suppliers. The contract schedules will need to reflect these ways of working.

**Fitness for the Future:** The objective of enabling flexibility leads us to shorter contract terms than we have currently. The frameworks we are considering typically allow for terms of 2+1+1 years, and 3+2 years. It would be possible to award the extensions immediately if a supplier offered profiling and cost benefits for doing so, but an assessment as to whether this benefit would outweigh flexibility considerations would be required.

**Management of Risk:** As guided by commercial objectives, charging structures will be fully documented providing transparency and clarity for contract managers. Variable cost drivers will be identified. Risks associated with any fixed price element will be called out, and a clear process for managing change will be documented. Ratecards, set margins and catalogue pricing will be established for standard services. Robust challenge procedures will be incorporated into both change management schedules and invoicing procedures, so that the Council has the right to examine supporting materials and evidence for any additional charges.

## 5.4 [Redacted owing to commercial sensitivity]

## 5.5 Contract and Commercial Management Capabilities

The FOM sets out the requirement for an in-house contract and commercial management capability in line with the hub-and-spoke model established for procurement and contract management across RBC. Contract management frameworks, processes and governance will be designed to support the new function.

The annual, monthly, and occasional activities associated with good contract management practice – invoicing procedures, approvals, reviews, credit tracking, milestone achievement procedures, provision for delays and performance remedies, change control management, forecasting, cost management - will be detailed. Governance and escalation procedures will be defined. Responsibilities and interactions with financial management and service performance management will be defined.

## 5.6 Commercial Case Conclusion

The Commercial Case supports the recommendation and confirms that there are suitable suppliers in the market to meet our requirements and that there are suitable commercial vehicles to support this transaction.

The case also provides assurance that commercial objectives set out in the case will be met through robust commercial planning and management throughout the programme. Quality of service will be achieved by incorporating the right commercial incentives and performance measure measures in contracts secured with the right suppliers.

Fitness for the future will be achieved by implementing a smart-source structure consisting of specialist suppliers on shorter term flexible contracts capable of more frequent review.

Management of risk will be achieved by implementing a carefully planned phased procurement strategy that enables rapid and safe transition and developing predictable transparent charging structures within our contracts.

Value for Money will be achieved through a flexible and robust procurement strategy that uses appropriate frameworks to identify the right services and suppliers and permits shared services and bids for more than one bundle to be considered, should they offer better Value for Money.

## 6 Management Case

### 6.1 Purpose of the Management Case

The purpose of the Management Case is to demonstrate that the implementation of the preferred option (Option 2A) is achievable and that the necessary delivery arrangements are in place.

It articulates the:

- Project management arrangements, decision points and review processes;
- Approach to delivery management and risks;
- Outline timetables for delivery including the proposed transaction and implementation; and
- Transition project (costs, resources, schedule).

### 6.2 Summary of the plan

An ICT project will be established to transform the current provision to a smart-sourced model. The ICT Service towers will be transitioned to the most appropriate provider, creating a ‘Best of Breed’ model. The new structure integrates interdependent services from various suppliers into a fully managed smart-sourced service. This will replace the current Northgate managed service.

The key elements of the plan include:

- **Transition:** The project will take a pragmatic approach to transition, adopting a phased (service-by-service, technology-by-technology) and least risk approach, rather than ‘big-bang’. A Service Embedding and Optimisation Phase will take place after service transition has concluded.
- **Exit:** The project will undertake activities to exit from the NPS managed service. Agreeing the Exit Agreement with NPS is a critical activity. One of the key steps in developing a successful supplier transition plan is to develop a suitable Exit Plan with the incumbent, which will inform the planning of service transition and will be agreed between the Council, NPS and new suppliers. This will involve knowledge transfer activities and NPS participation and cooperation in transition activities. Agreement on the activities and timelines will be documented within the Exit Agreement, which will be produced collaboratively by both NPS and RBC.
- **Development:** The project will involve the development of a sustainable RBC ‘intelligent client’ function to provide service integration, management and assurance functions. Recruitment will commence to establish the necessary capacity and capability around September 2020 (intelligence, integration, management, and service) – overall 16 new roles will be required.
- **Expertise:** Expert support will be engaged to run the transition project, mitigate risks and introduce the necessary capacity and capability to ensure success. The expertise will be transitioned to our internal teams to ensure we develop long term sustainable capabilities to operate the service. There is a need to focus on embedding the new operating model within RBC and across the new supply chain. This phase of transition needs to involve peer-to-peer support in order to embed the new processes and tools, supported by upskilling and knowledge transfer.

### 6.3 Approach

The transition approach is critical to ensuring a successful transition of services and implementation of the Future Operating Model in a manner that minimises risk and disruption to end users and services.

Throughout the Transition period up until the exit date of March 2021, the Council will take a phased approach, gradually taking ownership of service towers in-house or transferring them to partner service providers.

The phased approach reduces the risk associated with a ‘big-bang’ transition and provides greater scope for gradual transition and stabilisation. This approach will also ensure that control is maintained, leading to less disruption for the Council. However, the project has a fixed completion date relating to exit from the NPS service; therefore, an agile approach to decision making will be required.

The Transition phase will involve a number of concurrent activities and transition types, depending on the tower in question, including:

- novation of current third-party contracts from NPS to the Council or to a third party;
- transfer of exclusive assets held by NPS, and required to run the service, subject to financial impact assessment and auditor approval;
- TUPE of staff from NPS to the Council or to a third party, where necessary;
- selection of third-party providers through the agreed procurement plan approach/ the agreed route to market;
- design and build of intelligent client service integration layer, including people, process, tools, commercials; and
- design, build and migration to new ‘core’ solution.

The smart-source model involves a transition to multiple suppliers and in-house functions. The development of the intelligent client function, which will act as the integration layer, will require careful consideration and detailed co-design of processes across multiple parties will be required in order to ensure:

- an effective framework for managing supplier performance and improving consistency in service levels;
- a single point of accountability for end-to-end service delivery to the business;
- the capability to manage ICT risks and compliance across the service towers;
- a mechanism to enhance alignment of ICT priorities with business objectives; and
- the ability to reduce ICT costs.

Where there are opportunities to improve ICT Service provision as part of transition within the timescales and budget constraints, these activities will be undertaken.

## 6.4 Project Plan

The following section sets out the structure of the project plan and the high-level timescales for the next phases of the project: Preparation, Procurement, Transition and Exit. Timescales are indicative and will be impacted by capability and availability of resources, governance, and approvals.

The plan is being reported and managed following robust project management aligned to best practice methodologies (e.g. PRINCE2) and is being monitored by the ICT Future Operating Model Project Board, which meets monthly. Project working groups meet weekly to report progress against the plan and to raise issues and risks. Weekly highlight reports are developed and are consolidated into board reports and escalations where required.

**Preparation includes:**

- production of procurement plans aligned to each ‘bundle’ of services;
- development of technical and operational specifications for each service tower;
- development of procurement materials, including instructions to bidders, evaluation criteria and commercials;
- development of supporting information for bidders (based on Discovery work already undertaken);
- identification of evaluation panel members and briefings.

**Procurement includes:**

- competitive tender process for each service tower:
  - evaluation of bidder responses in line with evaluation criteria;
  - selection of preferred bidders;
  - conclusion of contractual/commercial arrangements.

**Transition includes:**

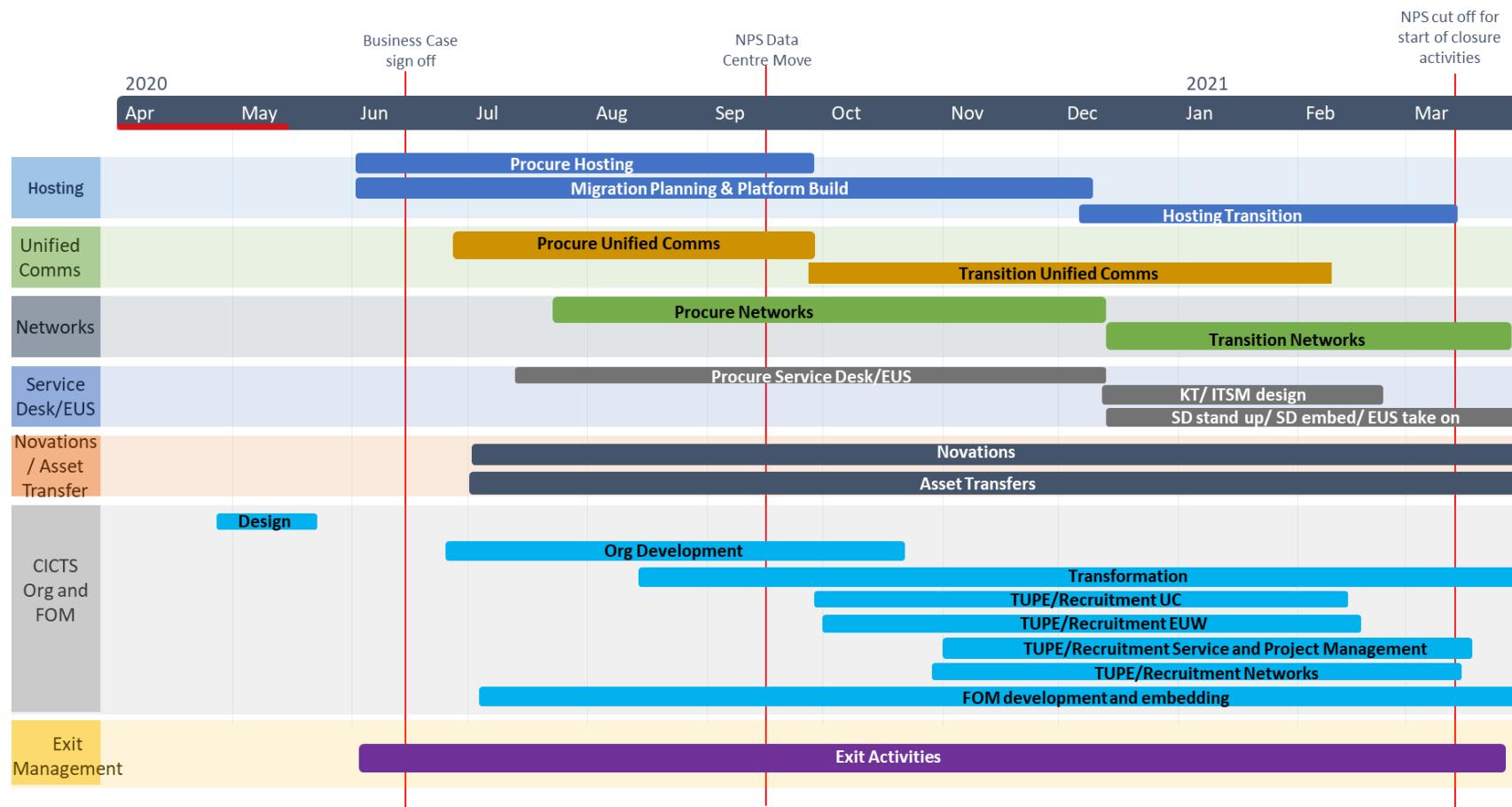
- knowledge transfer from NPS and RBC to the new suppliers;
- co-design and transition planning between RBC, NPS and new suppliers;
- stand-up of new services;
- migration/cutover to new services;
- take-on of support by new suppliers;
- staff consultation process for those impacted by introduction of new operating model;
- recruitment and onboarding of new staff;
- TUPE activities;
- knowledge transfer and embedding of new operational capability.

**Exit activities include:**

- production of the Exit Plan;
- delivery of the Exit Plan to include:
  - provision of controlled access to RBC systems;
  - knowledge transfer;
  - TUPE activities;
  - cessation of services in line with the Transition Plan;
  - contract novations;
  - asset transfers;
  - risk management;
  - support for transition activities, to include:
    - migration support (preparation and execution);

- safe removal of data from NPS systems, post migration;
- logging and passing of tickets to new providers prior to the new service desk being rolled out;
- acceptance of tickets for NPS run systems once the new service desk is stood up.

The high-level, indicative Transition Plan is depicted in the diagram overleaf.



#### Key decision points:

- Select Hosting provider – 21 September 2020
- Confirm Hosting procurement framework – 26 June 2020
- Select Service Desk/EUS provider – 23 November 2020
- Select Unified Comms provider – 21 September 2020
- Select Networks provider – 23 November 2020

## 6.5 Transition Support Requirements and Project Roles

This project comprises a high-value set of procurements and implementation activities. It will require expert support (capability and capacity) to prepare and execute this transaction across the following areas:

- project leadership;
- project management;
- commercial and procurement;
- technical solutions and operational service;
- finance;
- business change and communications;
- HR and organisational development;
- specification development / solution assurance;
- transition and transformation assurance;
- development of intelligent client capability;

The preparation and execution activities will ensure the Council can successfully exit its arrangements with Northgate, establish a new operating model with everything required to inform the service design, select and transition services at optimal price, risk and quality.

The indicative profile of support required from RBC staff and the Council's external transition partner is articulated below.

Blended Team Profile	Jun-20 Effort	Jul-20 Effort	Aug-20 Effort	Sep-20 Effort	Oct-20 Effort	Nov-20 Effort	Dec-20 Effort	Jan-21 Effort	Feb-21 Effort	Mar-21 Effort	Total
<b>RBC Resources</b>											
CDIO (SRO)	8	12	8	11	11	8	8	8	10	10	94
Infrastructure and Services Manager	8	10	10	10	10	8	6	8	8	8	86
IT Business Partner	2	4	6	6	6	4	2	4	4	4	42
Assistant Director for Procurement and Contracts	4	5	5	5	5	2	2	2	2	2	34
Procurement portal and admin support		2	6	6	6						22
HR Project Lead	3	3	3	3	6	6	2	4	4	4	38
Legal Assurance / Guidance	2	3	3	3	3	3					19
Line of Business (LoB) Application Owners (each)		2		3	3		4	4	4	4	24
<b>External Resources</b>											
Director / Partner	6	6	4	5	5	4	4	6	6	6	52
Managing Consultant	10	10	6	10	10	8	8	8	8	8	86
People and Change Lead	8	10	10	10	10	10	10	12	12	14	106
Delivery Manager	22	23	15	22	22	21	14	20	20	23	202
Project Manager	22	23	15	22	22	21	14	20	20	23	202
Project Manager	22	23	15	22	22	21	14	20	20	23	202
Lead Architect	22	23	15	22	22	21	14	20	20	23	202
Solution Architect - Networks/UC	22	23	15	22	22	21	14	20	20	23	202
Solution Architect - Cloud/Wintel	22	23	15	22	22	21	14	20	20	23	202
Service Architect	22	23	15	22	22	21	14	20	20	23	202
Commercial Lead	22	23	15	22	22	21	14	20	20	23	202
Procurement Lead	22	23	15	22	22	10					114
Testing and QA Lead			10	22	22	21	14	20	20	23	152
Testing Analyst			10	22	22	21	14	20	20	23	152
	<b>251</b>	<b>272</b>	<b>216</b>	<b>314</b>	<b>317</b>	<b>275</b>	<b>186</b>	<b>256</b>	<b>258</b>	<b>292</b>	<b>2637</b>

The cost of specialist external expertise is reflected in the Economic and Financial Cases. The scale and scope of support will be robustly reviewed at each stage to ensure that value for money is being achieved.

The external provider will support the upskilling of the enhanced internal CICTS team to ensure the development of sustainable capabilities to operate for the future.

## 6.6 Project Governance

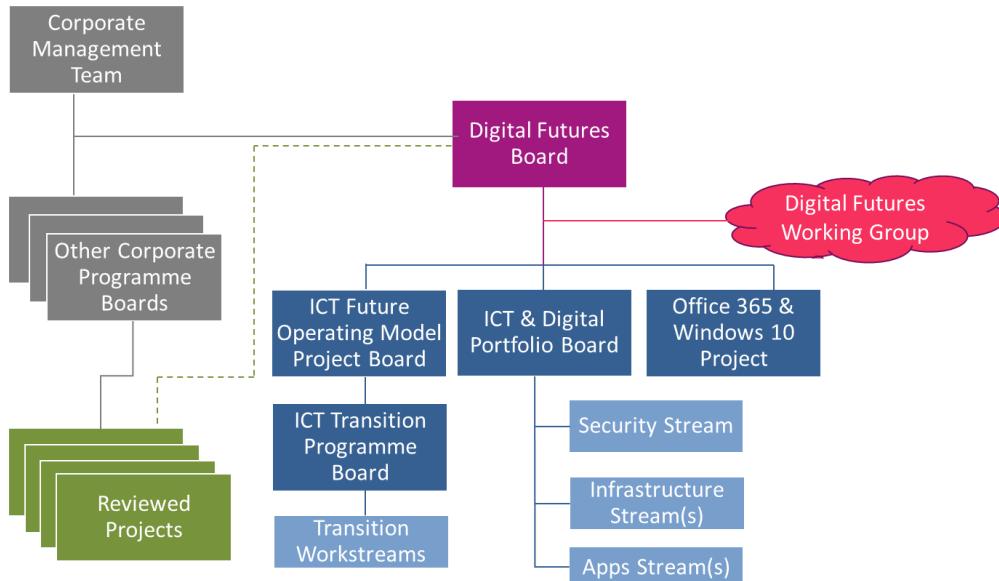
Effective oversight and control will be critical to the successful delivery of the preferred option. Robust performance management of the project against its objectives, quality metrics, schedule and financials will be achieved through the establishment of effective governance and monitoring as set out below.

The project will have two main Governance workstreams:

- **Exit** will be largely concerned with designing the means of exiting NPS service. Identifying the activities for which NPS support is required is critical and will largely be focused on controlled access to the existing infrastructure, for information gathering and data extraction purposes, and the handover of documentation, statistics, design, and configuration data related to the existing service. It will involve Knowledge Transfer activities, and NPS' participation and cooperation in migration activities.
- **Transition** will be largely concerned with designing the future state and transitioning to it (scoping, designing, procuring, building, and migrating to the new service). Information from the Exit workstream will be critical for transition activities (e.g. the Transition team cannot procure and build appropriate storage without understanding how much is currently used by the Council). It will require detailed information about storage from NPS in order to build the new storage capability and to design a way of migrating it safely.

The following diagram depicts the governance for the Project and how it aligns with wider RBC governance (e.g. Digital Futures Board).

## Board Structure



**Digital Futures Board:** This project is part of the Digital Futures programme. The Digital Futures Board, chaired by the Executive Director of Resources, has been established to ensure that TEAM Reading can and does work ambitiously and collaboratively to make the most of digital technologies to drive efficiency and make a difference to Reading by:

- owning development of the corporate digital strategy;
- overseeing a portfolio of enabling projects that support delivery of that digital strategy; and

- reviewing digital projects and projects across the organisation through a gateway review process to ensure strategic alignment.

**The ICT Future Operating Model Project Board:** The FOM project is overseen by the ICT Future Operating Model Project Board, which meets monthly and/or as required, chaired by the Executive Director of Resources.

The Board will report on both streams of activity – Exit and Transition – and make recommendations to the Digital Futures Board, which has overall responsibility for the project.

**ICT Transition Project Board:** Transition activities will be overseen by the ICT Transition Project Board, which meets every two weeks and is chaired by the CDIO.

RBC and NPS Project Teams report to the board, providing a summary of the transition activities, including risk and issues.

**Transition Workstreams:** A number of working groups will be established under the transition project, each tasked with performing the activities required for a successful transition. The working groups will cover all aspects of transition and will be resourced with appropriately skilled staff from internal and external sources. Key aspects will include project management, technical, business engagement, commercial and procurement, service design, and integration. Workstreams will be managed against a project plan featuring agreed deliverables for each phase.

**Project Meetings:** Progress will be monitored through weekly project meetings, at which updates on plans, issues and risks are presented by the project manager and reviewed.

Quality Management processes will be conducted to assure project direction, progress, and deliverables.

## 6.7 Risk Management

Robust arrangements for managing and mitigating risks, issues, assumptions and dependencies (RAID) during the transition project have been established.

Regular RAID reviews will take place with the aim of updating risks, issues and opportunities, identifying new risks and issues which affect both the transition and the current ICT service, identifying mitigations and planning the implementation of these.

A central RAID Log has been produced and will be managed by the project team throughout the transition. Detailed technical, operational and service-focused risks have been captured through the detailed Discovery work and are being logged, tracked and mitigated by the Transition team.

A summary of the key risks associated with the Transition is set out below.

### 6.7.1 Key Transition Risks

Risk Description	Mitigation	Post Mitigation	
		Likelihood	Impact
There is a risk the project does not meet the strict timescales for Exit and cannot control the financial and service consequences that NPS can choose to impose.	Ensure an agile approach to commencement of procurement activities, decision making and a pragmatic approach to process and governance, whilst ensuring compliance with RBC policy and standing financial instructions.	1	3
There is a risk that NPS does not have the capability or capacity to support all transition activities.	Ensure that RBC is clear on what is required from NPS during each stage of transition. Identify and communicate deliverables through the project plan as early as possible.	3	2
There is a risk that the timeline associated with the hosting procurement and data migration will extend beyond the end of the current NPS contract due to timescales for new circuit orders and/or NPS not being able to complete its data centre move by the 14 <sup>th</sup> September.	Ensure the hosting requirement is understood and signed off to appoint new hosting supplier as soon as possible. Order new network connectivity immediately on hosting contract award. Investigate options to mitigate datacentre move risks.	2	3
There is a risk that NPS will not complete the agreed activities on the current project plan, which would affect assumptions made in procurement and impact future costs.	Continue to engage with NPS to track task progress and agree commercial implications through the Exit Plan to mitigate cost associated with new suppliers taking on legacy services.	2	2
There is a general risk relating to overall affordability of the services and their transition.	Ensure the correct requirements are articulated to suppliers and that the through life costs are identified and procurements are planned effectively.	1	2
There is a risk that the project does not meet its strategic objectives.	Ensure that the project is tracked against the strategic objectives using robust project / project management, with continuous reporting into the governing boards. Ensure risks and blockers are communicated to the governance board.	1	1

Risk Description	Mitigation	Post Mitigation	
		Likelihood	Impact
There is a risk that Reading will be unable to recruit the required people to build the required internal ICT organisation	Commence development of job descriptions and explore candidate market early (internal and external). Leverage current conditions to attract new staff (stability in public sector jobs). Ensure roles are correctly graded and remunerated.	2	2
There is a risk that the impact of COVID-19 could present limitations on new suppliers being able to provide the necessary resource and/or gain the physical access to locations required to complete transition activities.	Leverage current collaboration tools to complete transition activities as best as possible, and impact assess any blockers on a case by case basis. Ensure suppliers communicate any limitations around resources and access to sites to feed into the project RAID.	1	2
There is risk that an unforeseen change in business requirements may delay the transition of service(s)	Impact assess new changes against the plan and communicate the options.	1	1
There is a risk that Reading will not have the capacity to resource the activities required to quality assure transition of services in live service.	Early identification and communication of activities that require Reading staff and gain approval from line managers for them to engage according to project schedules.	2	1
There is a risk of impact to live service during the transition to the Future Operating Model.	Ensure service mapping is complete prior to transition activities. Complete necessary change and risk planning within the project schedules.	2	1

## 6.8 Management Case Conclusion

The Management Case sets out clear management arrangements on how this proposed transaction will be successfully delivered and the future operating model proposals for ICT initiated.

The case demonstrates that the smart-sourced model is viable as a future state and can be achieved.

## Annex A – [Redacted owing to commercial sensitivity]