

CABINET MEETING – 19 JUNE 2013

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Proposals for an Alternative Service Delivery Model for ICT

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

- To advise the Cabinet of the strategic proposal to deliver a collaborative ICT service to Sunderland City Council and Durham County Council from a single joint organisation in conjunction with an external commercial partner.
- To seek approval to develop an outline business case for the proposal

Description of Decision:

Cabinet is requested to:

- Support the principle of collaboration between Sunderland City Council and Durham County Council in respect of the development and establishment by the councils of an ICT Shared Service in conjunction with the procurement of a strategic/commercial partner ("the Proposals");
- Support the direction on the collaboration work undertaken so far and commit to the principle of closer integration, including the establishment of joint project governance arrangements.
- Authorise the two ICT Services to jointly develop an outline business case in respect of the Proposals and to bring a further report to the Cabinet meetings of the respective councils on 9 October.
- Approve the submission of an outline application for funding from the Transformation Challenge Award in respect of the project costs.
- Authorise the appointment of professional advisors in order to assist on the development of the outline business case for the Proposals.

Is the decision consistent with the Budget/Policy Framework?		*Yes/No
If not, Council approval is required to change the Budget/Policy Framework		
Suggested reason(s) for Decision: This approach will deliver an Alternative Service Delivery model for ICT which <ul style="list-style-type: none"> • will support the commercialisation of the Council's cloud platform; • deliver efficiencies to both Durham and Sunderland council in the delivery of a Shared ICT service; • develop a regional ICT Shared Service building on ICT infrastructure of the two councils together with private sector resource and expertise that would have the ability to trade with other public sector bodies and private sector customers 		
Alternative options to be considered and recommended to be rejected: <ul style="list-style-type: none"> • Do nothing – the council will not be able to take full advantage of the opportunities presented by the investment in cloud technology and will be constrained by the resources currently available within the ICT Unit. • Commission a Managed ICT Service from a commercial provider – this approach would not support the requirement to exploit the regeneration opportunities presented by the investment in cloud based technology. • Develop a Joint Venture with a strategic partner without the Durham collaboration – this approach would support the commercialisation of the cloud platform within the Sunderland area but would not bring the wider opportunities presented by the collaboration with Durham Council. • Develop a ICT Shared Service with Durham but without the procurement of strategic/commercial partner- this approach would achieve efficiencies and economies of scale between the two councils but the ability to commercially exploit both councils' ICT infrastructure through third party trading would be limited. 		
Impacts analysed:		
Equality <input type="text" value="N/A"/> Privacy <input type="text" value="N/A"/> Sustainability <input type="text" value="N/A"/> Crime and Disorder <input type="text" value="N/A"/>		
Is this a “Key Decision” as defined in the Constitution? Yes	Scrutiny Committee:	
Is it included in the 28 Day Notice of Decisions? Yes		

Report of the Executive Director of Corporate and Commercial Services

Proposals for an Alternative Service Delivery Model for ICT

1. Purpose of the report

- 1.1. To advise Cabinet of the initial work undertaken by Sunderland City Council and Durham County Council to develop a proposal to establish and deliver an ICT Shared Service to both councils from a single joint organisation in conjunction with a strategic/commercial partner, both within the areas of the councils and potentially across the region
- 1.2. To seek approval to develop an outline business case for the above proposal.

2. Description of Decision

2.1 Cabinet is requested to:

- Support the principle of collaboration between Sunderland City Council and Durham County Council in respect of the development and establishment by the councils of an ICT Shared Service in conjunction with the procurement of a strategic/commercial partner (“the Proposals”);
- Support the direction on the collaboration work undertaken so far and commit to the principle of closer integration, including the establishment of joint project governance arrangements.
- Authorise the two ICT Services to jointly develop an outline business case in respect of the Proposals and to bring a further report to the Cabinet meetings of the respective councils on 9 October.
- Approve the submission of an outline application for funding from the Transformation Challenge Award in respect of the project costs.
- Authorise the appointment of professional advisors in order to assist on the development of the outline business case for the Proposals.

3. Introduction

3.1. The ambitions of Sunderland City Council to maximise the investment in cloud technology in the delivery of services beyond the council will bring a new set of demands on the ICT service. Similarly the council's focus on establishing, where appropriate, new models of service delivery for Council services will require the ICT service to support a number of different operating models in future. This will require a very different approach to how the service is delivered. A new service delivery model is therefore also required for ICT; one that will facilitate the commercialisation of the cloud platform to support regeneration across the city, secure efficiencies and also support the delivery of services regardless of the delivery mechanism that is being used within that service area.

4. Background

- 4.1. The ICT managers of the North East LEP councils meet regularly to discuss common issues as part of the North East ICT group (NEICT). Each authority is grappling with the same challenges of reduced budget against a background of increasing ICT usage.
- 4.2. In this context, discussions have taken place regarding the need to work more collaboratively and explore shared service delivery where practical.
- 4.3. This direction has been considered and developed further by Durham and Sunderland Councils with a view to the possible collaborative merging of the two ICT services into a single Shared ICT Service.
- 4.4. The approach currently under initial consideration is to explore the creation of a joint venture with an external strategic/commercial partner to provide an alternative method of ICT service delivery for both councils and a wider customer base in the public and private sectors. This approach would potentially provide significant opportunities for both councils as outlined in this report.
- 4.5. The concept and practicalities of a collaborative merging of the two ICT services has been endorsed in principle by the Corporate Management Teams of both councils.

5. Existing ICT Services

5.1. Together the two ICT Services have a turnover of £35m to £40m per year, revenue budgets of around £18m per year and directly employ 400 staff (this figure includes staff based in Durham County Council schools). Approximately 250 are directly employed in core ICT Services who would be affected by the proposed collaborative working service of which 100 are employed by Sunderland City Council.

5.2. There is a good synergy between the two ICT Services. Each provides similar functions to its respective council and both have particular areas in which it can demonstrate particular expertise.

5.3. Combined working groups have been set up to look at joint working in the areas of:

- Providing ICT support to schools including remaining new capital schemes within the Building Schools for the Future programme (BSF);
- digital inclusion;
- business continuity planning (BCP);
- storage;
- networks;
- security;
- European funding;
- customer relationship management (CRM) and
- ICT procurement.

5.4. As well as internal customers, the councils' ICT Services sections also currently provide a range of services to external customers in the fields of:

- learning & children services (including schools and academies);
- community services;
- regeneration and businesses;
- adults & social care;

- corporate services;
- housing;
- emergency services
- the voluntary community and
- private sectors.

6. Benefits of collaboration through a Joint Venture with a Partner.

6.1. The potential benefits of the Proposals for each council would include:

- A reduction in overall cost, ensuring sustainability and delivery of better value for money ICT services in both councils.
- Retention of the necessary skills to support ICT across the councils and the ability to respond to change to support transformation, maintain operational performance levels and respond to new service requirements
- Both councils retaining an significant stake in their ICT services and infrastructure going forward;
- Provision of a common platform to support new models of public service delivery including future shared services between the participating councils
- A common regional ICT infrastructure strategy, including networks, data centres, cloud platforms etc.
- A review of how applications are licensed and supported across the councils with a view to driving down costs
- Economies of scale in infrastructure provision not only for local public services but also for small businesses, mutuals, community of interest companies and other emerging service delivery models.
- The ability to commercially exploit the councils' ICT infrastructure to provide ICT services to a wider customer base in the public and private sectors.

6.2. This leads to the possible additional benefits of following a combined model including:

- Growth of external business income to help create a sustainable organisation that continues to provide employment opportunities
- Development of a single ICT organisation which attracts high ICT skills to the region
- Acts as a catalyst to develop ICT employment throughout the region built upon the joint ICT Services' cloud infrastructure and expertise.

7. Next Steps

7.1. A considerable amount of additional work is required in order to prepare the business case for the Proposals. This would include:

- Defining the project fully with project management and governance arrangements, work streams, defined stages, benefits realisation and project plans etc.
- Analysing the two services to establish a baseline regarding finance and budgets, assets, key technologies, staff, skills and asset valuations etc. of each authority.
- Considering people and culture issues and identifying plans and processes to address these.
- Defining the overall required outcomes of the combined ICT Services and the two councils.
- Identifying the potential commercial opportunities arising from the councils' ICT infrastructure;
- Define the role and requirements for an external strategic/commercial partner within the final organisation.
- Undertaking a detailed review of the potential legal and financial models for the delivery of the Proposals and the identifying a preferred model;
- Developing a procurement strategy for the appointment of the strategic/commercial partner and establishment of the joint venture;
- Establishing the detailed timetable for the delivery of the proposals;
- Identifying, assessing and managing key risks;

- Planning a joint communications, consultation and engagement plan to prepare both organisations for change.
- 7.2. At this stage it is proposed to appoint a professional adviser in order to assist the councils in developing the business case for the proposals up to the completion of an outline business case which will then be considered by both councils' Cabinets.
- 7.3. The costs of this appointment will be shared by the two councils. However a possible grant to cover external assistance in developing the detailed business case is available through the Department for Communities and Local Government's Transformation Challenge Award. The Department is looking to provide support under a major multi-authority awards scheme, for radical innovations involving two or more local councils combining their operations across all or a major part of their service delivery.
- 7.4. Subject to Cabinet approval, it is the intention to make an outline submission for funding ahead of the required deadline of 14th July 2013, otherwise the costs to this Council would be met from the Improvement Programme resources within the Strategic Investment Reserve.

8. Key challenges

- 8.1. A combined delivery approach will highlight some key challenges in areas including: technology; leadership; governance; people; assets; processes; culture; customer; growth.
- 8.2. Both organisations will need to be fully committed to the strategic outcomes of a combined ICT Shared Service and have the willingness and ability to make the necessary changes.
- 8.3. Appropriate governance arrangements will need to be established to ensure decision making is equitable and proportionate and reflects the respective positions of each Council.
- 8.4. Both parent councils will need to put in place a robust and intelligent client function to ensure that each authority receives the ICT service from the joint venture that it requires and in addition decisions will be required over how support services are provided to the proposed new organisation.
- 8.5. The new arrangements will be required to deliver the designated savings targets for both councils and will need to demonstrate on-going value for money; future cost avoidance and continued improvement in returns on assets employed.

8.6. The collaborative service process of change has the potential to be disruptive and will require strong leadership, management and will demand a high availability of skills such as business analysis. This change will be considered against a backdrop of maintaining a high quality delivery service to meet the 'business as usual' requirements of both councils.

8.7. These key challenges will be considered and addressed in the outline business case.

9. Key opportunities

9.1. A combined delivery approach in conjunction with a strategic/commercial partner will provide opportunities to deliver higher quality and lower cost services. These include:

- Economies of scale leading to improved sustainability and overall cost reduction.
- A convergence in the strategic direction leading to technical synergies, better contingency and use of all resources as well as improved staff development.
- Improved and new capabilities through an expanded service catalogue and an increased reuse of existing work leading to an enhanced reputation.
- A platform to deliver services in new and innovative ways to the emerging service delivery models, changing customer and market expectations.
- The ability to commercially exploit existing ICT infrastructure to provide ICT services to a wider customer base in the public and private sectors.

10. Financial implications

10.1. Bringing the two ICT Services to work together in a more collaborative way will lead to a significant reduction in the overall cost of service provision.

10.2. In addition, by combining the trading strengths of both ICT Services there is a greater possibility of growing income for the Councils thereby reducing the net cost of the service to the councils.

10.3. Detailed savings estimates will be made as part of the development of the detailed business case.

10.4. The financial implications for the proposals will be considered in detail as part of the outline business case.

11. Governance

11.1. The project governance arrangements for the delivery of the project will need to be considered by both Councils as part of the preparation of the outline business case and agreed by both Cabinets in due course. In addition, the business case will also consider the potential governance and decision making arrangements for the joint venture as part of the options analysis.

11.2. Until the full governance model is determined a Project Governance Board will be jointly agreed.

12. Reason for decision

12.1. This approach will deliver an alternative service delivery model for the ICT Service based on a shared service model with Durham Council and an external partner. The resultant service will:

- support the commercialisation of the cloud platform;
- deliver efficiencies to both Durham and Sunderland council in the delivery of an ICT service;
- develop a regional ICT Shared Service building on the ICT infrastructure of the two councils together with private sector resource and expertise that would have the ability to trade with other public sector bodies and private sector customers.

13. Alternative Options Considered

13.1. Other options considered are:-

- Option 1 - Do nothing. This option will not support the council take full advantage of the opportunities presented by the investment in cloud technology. Opportunities will be constrained by the resources currently available within the ICT Unit.
- Option 2 - Commission a Managed ICT Service from a commercial provider. This approach would not support the requirement to exploit the regeneration opportunities presented by the investment in cloud based technology.

- Option 3 - Develop a Joint Venture with a strategic partner without collaborating with Durham. This option would support the commercialisation of the cloud platform within the Sunderland area but would not being the wider regional opportunities presented by the collaboration with Durham Council.
- Option 4 - Develop a ICT Shared Service with Durham but without the procurement of strategic/commercial partner- this approach would achieve efficiencies and economies of scale between the two councils but not the ability to commercially exploit both councils' ICT infrastructure through third party trading.

14. Relevant Considerations

- 14.1. The financial implications for the proposed next stage are set out in the main body of the report.
- 14.2. The ICT Unit Alternative Service Delivery Model, part of the Business Transformation Project, is being managed within the council's standard project management methodology, all management products are being developed in consultation with a range of stakeholders on a project by project basis.

