worcestershire
c o u n t y c o u n c i l

CABINET MEMBER DECISION
9 OCTOBER 2017

ICT SUPPORT FOR THE COUNCIL

Relevant Cabinet Member
Mrs K May

Relevant Officer
Interim Head of Technology Operations

Recommendation

1. **The Head of Commercial recommends that the Cabinet Member with Responsibility for Transformation and Commissioning:**

(a) **approves the rationalisation of the ICT Managed Service Contract to revert the 'Business as Usual (BAU – defined in the Appendix) ICT Support Services' part of the current contract with DxC to the Council;**

(b) **approves the one-off project funding of £460,000 to be spent from the existing ICT Refresh capital allocation as set out in the report; and**

(c) **delegates to the Head of Commercial, in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, the authority to approve the final contract revision for the provision of ICT Managed Services, and to take all necessary steps to put (a) and (b) above into effect.**

Background

2. In December 2014, as part of the Service transformation programme, the Council's ICT Support Services were commissioned to HP Enterprise Services (HPE). This was a 2-fold contract for ICT Managed Services, firstly to modernise the support services for IT and then to refresh and transform the existing legacy ICT estate. This estate was over 10 years old at the time and was costing more than £3.4 million per annum to deliver. The Council's PSN (Public Services Network) accreditation was in danger of being rescinded and a new technology platform was required to support the Digital Strategy. The contract consisted of 4 elements:

- Transition and Transformation
- Ongoing ICT support for all infrastructure and core application services
- Hardware and software procurement
- Technology partnership for projects, digital enhancements, security etc.

3. The basis for the Ongoing ICT Support service element of the contract was to be a 'usage-based contract' as, at the time, the Council's FTE numbers were forecast to reduce significantly over the following 5 year period and thus we could reduce revenue

spend on IT in line with this FTE reduction. The transformation element was to utilise a capital investment of £1.6 million to refresh all of our ICT estate, which was aged and out of support, into support, to enable future growth to match our Digital strategy. As a consequence of the contract, 46 staff were transferred under TUPE from the Council to HPE.

4. The ICT systems have been refreshed in line with the aspirations and as of April 2017, cumulative savings of £832,000 revenue spend have been achieved. Unfortunately, the Council's IT requirements have not decreased in line with the initial forecast for various reasons, including the recruitment of extra Social Care staff in both Adults' and Children's Services, the retention of ICT Services when other services were commissioned (e.g. the Babcock contract commissioned the staff element but the ICT support and maintenance remained with the Council) and as such we are now in a position where further savings on this current ICT Managed Services contract cannot be made. During the Year 3 Annual Review with DxC (the new name for HPE), both parties recognised that the contract was no longer matched to the Council's needs and no further savings could be achieved within the current contractual arrangement. In addition, the structure of the DxC company had changed significantly (after a 'spin-merger' between HPE and CSC) and this change to the status quo is therefore in the interests of both parties.

5. The DxC delivery model is to 'share' resources between clients and this has sometimes meant that work on Council tasks has been delayed due to problems with other clients. Bringing part of this service back in-house would therefore also mean that there would be more flexibility to cope with differing priorities and workloads which the DxC contract at the moment cannot support e.g. the extra work required for Children's Safeguarding after the Ofsted inspection.

Legal, Financial and HR Implications

6. Work by officers has shown that should the BAU ICT Support Service be brought back under the Council domain then there would be significant revenue savings achieved of up to £40,000 in 2017/18, once recruitment costs were deducted, and then £280,000 pa from 2018/19 and thereafter.

7. If that part of the service were to return, then there would need to be a TUPE transfer of 16 staff and a recruitment of 20 new staff to replace the 'shared' staff elements of the service resulting in an overall headcount increase within Systems and Customer Access (S&CA) of 36 FTEs. We would then merge this into the existing client function currently responsible for managing the ICT Managed Service contractual delivery and supporting the bespoke in-house applications of the Council within S&CA. Of the 20 new staff, 3 of these would be targeted as Apprenticeships in the Technology space to fulfil our apprenticeship levy and to align with the Council's Digital Aspirations.

8. The existing DxC contract would be reduced to remove the 'Business as Usual' elements and would retain the Technology Partnership elements, which would then still allow us to utilise the specialist technical expertise of DxC for technology projects as part of the Digital Strategy. There are a number of projects within the Digital Strategy which have not yet commenced but which are key to enabling our future workforce and continuing our journey to 100% of Services being online. These projects may require additional expertise which can thus be called upon from our ongoing Technology Partner DxC, who could perform the initial project work and train our BAU support teams to

support these new services. Each of these projects will have an individual business case and will be costed from the rate card within the retained part of the contract.

Privacy and Public Health Impact Assessments

9. No privacy or public health impact was identified.

Equality and Diversity Implications

10. The Equality Impact Assessment (EIA) desktop screening exercise indicated that no EIA was required as the impact of the proposal on protected characteristics was very limited and all relevant Council HR policies would apply to staff transferring to the Council to ensure compliance.

Supporting Information

- Appendix - detailed report completed by the lead officer which supports this report

Contact Points

County Council Contact Points
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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Head of Commercial) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meeting of the Cabinet held 25 September 2014

Background

The DxC (HPE as was) ICT Managed Service contract was let in December 2014 with an operational start date of February 2015. The contract consisted of 4 elements:

1) Transition and Transformation (T&T)
   o This element was a major project to completely refresh the Council's infrastructure (servers and networks) in order to bring us onto supported platforms required for PSN and to support out digital strategy. It consisted of a transition element to get us to a new way of working and supporting IT in the Council and then a transformation element to put in new, more resilient infrastructure and migrate across to it. The transformation included the introduction of a new telephony and call centre platform (Lync and Altigen). It also incorporated a replacement wifi solution and a print management project to bring 95% of print into a Managed Print solution. This was a capital project with a £1.6 million investment
2) Ongoing ICT support for all infrastructure and core application services as follows:
   o Service Desk (1st line support)
   o Field Engineering Support for networks, end point devices, printers etc., including MyIT at County Hall (2nd line support)
   o Technical Support for networking, telephony (Lync, Altigen and mobile), storage, Windows Operating system, Internet, Email, Exchange, Printing, Asset Management, Software Management, capacity management, security management, problem and change management (3rd line support)
3) Hardware and software procurement
4) Technology partnership for projects, digital enhancements, security etc.

46 staff were TUPE'd from the Council to DxC as part of the contract.

The overarching commercial premise of the contract was

1) A capital fee paid in milestones for the Transition and Transformation element of the contract (1 above)
2) A fixed fee element with some usage based (Consumption Based Billing or CBB) elements for the Ongoing ICT Support element above (2) and the Hardware and Software Procurement element above (3).The CBB elements are:
   - End Point Device (laptop/desktop/tablet)
   - Mobile Phone
   - Unified Comms (Lync)
   - Servers (virtual or physical)
   - Storage (per Terabyte)
   - Wireless Access Points

- AV and equipment support (Council Chamber plus touchpoints/meeting rooms).
3) Project by project payments based on quotations for projects initiated under the technology partnership element of the contract

All of the above were bound by Service Level Agreements (SLAs) for which Service Credits are payable should these fail to be met.

The cost of the CBB elements for 2017/18 based on our current FTE and device counts is predicted to be approximately £1million with a further £750,000 for the 'fixed' element which incorporates the ongoing ICT support for all infrastructure and core application services.

The **'Business as Usual Service (BAU)'** which we are proposing to bring back into the County Council comprises both the fixed and CBB elements of the contract as the technology project work is charged separately either as a one-off project cost or on the rate card incorporated within the contract.

Since the contract start, the spend on technology projects under the technology partnership portion of the contract has been £514,000 (e.g. new solution for Archaeology Team, new wifi solution for libraries etc.)

The contract contained both transparency and value for money clauses such that if it was evidenced that we could either provide the services cheaper ourselves or procure elsewhere cheaper we had the option to do this.

As the first 2 years of the contract progressed it became clear that HPE had significantly underestimated the complexity of the Council's infrastructure and organisation and the transition and transformation projects slipped. This also had the knock on effect that SLAs were missed and customer satisfaction dropped. This resulted in DxC owing £58,000 to the Council in Service Credits. It also became apparent that HPE could not compete in the procurement space for any of our hardware or software requirements, due to the levels of discounts provided to local Government and our own negotiated framework contracts. The result of this was that an Intensive Care (IC) Plan was agreed to take us back into acceptable SLA and Transition &Transformation (T&T) delivery and that the procurement element was brought back into the Council (resulting in a small reduction in the monthly fixed fee).

The DxC model to deliver a contract of this nature is to have a very small onsite team backed by remote 'capabilities' who are spread across multiple clients. This means that their ability to react quickly to given situations is restricted. For example at the time we required an improved service to deliver new starter requests for CFC new starters, another client had been hit be a major Malware attack such that the resources were deployed on that account and could not be deployed on our account. So whilst all SLAs continued to be met, it was not possible to improve turnaround times in order to assist CFC. This demonstrates an inflexibility which we cannot sustain.

Current Position

As of 31 July 2017 the Intensive Care Plan position is that:
1. SLAs have been improved and are now in an acceptable position

2. The priority projects as agreed in the IC plan have been completed
3. There is a manageable plan for the completion of the remainder of the T&T projects and IC plan milestones
4. Customer Satisfaction has improved from 66.4% in July 2016 to 85.7%.
5. Relationships with DxC are much improved, thanks in no small part to a new Account Manager and Service Delivery Manager.

However, during the end of year review it became apparent that the construct of the existing contract was no longer fit for purpose for either the Council or DxC in the following areas:

- The Council had not reduced its workforce in line with its original predictions in the tender and business case resulting in a larger than anticipated supported base (the original business case predicted 2864 devices whereas we are actually at 3402 devices).
- Because the contract was supposed to be a shrinking contract the ability to flex to changing requirements was limited and this has meant we cannot be as flexible as we would like in supporting urgent issues (such as the fluctuation in social workers due to the CFC Improvement plan)
- The financial pressure to reduce revenue spend in the Council could not be met within the existing commercial construct as DxC were already losing money on the contract and could not offer any more savings.

Proposal

In light of the above, a piece of work was undertaken to establish a way to both save revenue for Council but to retain some form of technology partnership with DxC. The end result is that by bringing the Business As Usual (BAU) elements of the contract back under Council control we could:

- Save approximately £250,000 per annum by merging the delivery of the BAU support service into the retained client function. This would entail:
  - TUPE of the dedicated DxC staff (16 staff) allocated to the Council's account (who are already onsite at County Hall)
  - Employing 20 new staff to take on the work of the capabilities
  - Merge these into a new client operational structure creating a stronger County only focussed technical team that can be flexed to provide service at whatever level we require
- Retain the technology partnership portion of the contract to allow us to access the expertise that we currently do not possess for future technology projects to support the refreshed Digital Strategy, capitalising (as we do now) all infrastructure project delivery.

Discussions between the Council commissioning manager and the DxC Account Director have progressed this and agreement in principle reached to progress contact renegotiation based on the above.

In order to progress with this contract change a project will need to be established. It is envisaged that a capital investment of approximately £460,000 will be required to fund this project. This capital expenditure will be required to install the elements of support

software and hardware that are required to continue to operate a support service of this nature. As the DxC model is to share these elements then we cannot simply novate these contracts nor can we continue to use the DxC shared infrastructure.

The outline Savings plan is as follows (please note that these figures are indicative only until the final negotiation is complete):

Summary		
Total new staff costs	£ 1,240,366.80	
Total new hardware and software maintenance	£ 229,000.00	
Current costs for IT Managed Service	£1,750,000.00	
Anticipated Saving ongoing 2018/19	£280,633.20	
In year saving 2017/18	£30,158.30	have taken into account in year recruitment costs of £40,000
Total one off capital required	£ 460,000.00	Already funded in IT refresh capital pot

As this has been agreed at senior level within DxC, both parties will work to ensure that all risks are mitigated and that the project is successful in order to maintain the good contractual relationship which has been hard won over the past 12 months. The outline plan is to TUPE the relevant staff and to pay DxC to provide capability support as they do now until such time as the project to implement the new software and the recruitment of the newly required staff is complete. This will also reduce any risks as the staff delivering the Service at County Hall will not change. We anticipate this project should take no more than 6 months.

In summary this proposal will give the Council a significant revenue saving and allow us increased flexibility to react to the changing landscape of the Council over the next few years.

This paper is seeking approval for the one off project funding of £460,000 to be spent from the existing ICT Refresh capital allocation (part of the £1.6 million originally allocated to this contract) and to proceed with the re-negotiation of the contract which will result in the TUPE transfer of 16 staff and the recruitment of 20 new staff into the technical client team.