



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Executive 13 January 2021

Wards affected: All wards

Leicestershire ICT Partnership - Future service delivery post December 2021

Report of Director (Corporate Services)

1. Purpose of report

- 1.1 This report considers the options available to Leicestershire ICT Partnership (LICTP) partner councils for delivery of their operational ICT service beyond December 2021 when the current delegated service (to Hinckley) and outsourced contract (to Sopra Steria) comes to an end.
- 1.2 The report also considers the development of an LICTP Partnership Charter which has been designed to support the way in which the partners work together and maximise the potential of digital for partners and local communities.

2. Recommendations

- 2.1 That members approve that the LICTP transition to an insourced service including Hinckley & Bosworth Borough Council (HBBC), Blaby District Council (BDC) and Melton Borough Council (MBC).
- 2.2 That members agree the delivery model adopted from January 2022 is for MBC and BDC to continue to delegate their ICT service to HBBC, who will provide an Insourced Service for a period of five years, ending on 31 December 2026 as outlined in option b) of the options appraisal at paragraph 5.1.
- 2.3 That members endorse the Partnership Charter at Appendix 1.
- 2.4 That members note that the full budget implications are considered in the budget report for Council February 2021.

3. Background to the report

- 3.1 The recommendation to adopt an insourced delivery model is supported by an options appraisal exercise which identified this as the best way forward for the Partnership.
- 3.2 As there will be significant one-off investment required for the wider partnership, a minimum initial period of five years will enable these costs to be justified.
- 3.3 The digital agenda continues to develop at pace and it is clear that the Partnership could gain even more benefits through moving to a closer, more collaborative and joined up working relationship. The Partnership Charter sets a framework in which this can happen effectively.

4. The Partnership

- 4.1 The Leicestershire ICT Partnership (LICTP) is a shared service partnership between Hinckley & Bosworth Borough Council (HBBC), Blaby District Council (BDC), Melton Borough Council (MBC) and Oadby & Wigston Borough Council (O&WBC) which started over ten years ago. There has been much change and progress made during that period of time, but expectations around everything digital continue to rise.
- 4.2 LICTP partners have previously adopted a common Digital Strategy and all are signatories to the Local Digital Declaration. These documents demonstrate the significant changes that have taken place over recent years around digital and this is expected to accelerate moving forward.
- 4.3 In order to maximise the potential of the Partnership, even greater collaboration is likely to be needed in the future and this will require a further step change in terms of strategic ambition and ways of working. As part of a strategic review commissioned by the partners, including engagement with managers across the Partnership, an ambitious Charter document has been drafted. This describes the high-level ambitions which in themselves are designed to achieve significant customer and productivity benefits for each partner council and their respective local communities.
- 4.4 Historically, the Partnership has used a Lead Authority/Outsourcing model to deliver the shared service to each partner. HBBC has been the lead authority, with BDC, MBC and O&WBC delegating responsibility for delivery of the ICT service to HBBC. The existing outsourced contract and delegation arrangements are due to end on 31 December 2021.
- 4.5 In July 2020, notification was received from O&WBC that they wished to withdraw from the Partnership at the end of the existing delegation arrangements and to move to an “in-house” direct provision of the service. This report deals with the way forward beyond December 2021 for the remaining three partners. A separate piece of work will deal with the specific issues linked to the O&WBC withdrawal from the service.

5. Main Considerations

Options Appraisal

- 5.1 The first key issue to address is whether there is ongoing commitment to LICTP. This is the right time for all partners to give due consideration to this question. To assist with this, an Options Appraisal has been conducted which looked at give options as follows:-
- a) LICTP Lead Authority Outsourced Model: This model is the existing model with partners delegating their ICT service to HBBC who then procure a third-party contractor.
 - b) LICTP Lead Authority Insourced Model: This model is the same as a) above, except that rather than HBBC procuring a third-party contractor, they will predominantly employ their own staff to deliver the service.
 - c) LICTP Shared Staff No Delegation: This model retains a partnership ethos but is very different to a) and b), with each partner retaining responsibility for their ICT service and working collaboratively to attain the benefits of the shared service. It would be an insourcing option with all partners employing some staff.
 - d) Individual Authority - Go it alone: This model would mean that a partner would withdraw from the shared service partnership and would work on their own to deliver ICT services in the future, using either an insourced or an outsourced model.
 - e) Individual Authority - Join another Partnership: This model would also mean that a partner would withdraw from the shared service partnership but instead of delivering a service themselves, would join another existing partnership.
- 5.2 Each of these options was assessed and scored against each of the following factors:-
- a) Cost.
 - b) Deliverability.
 - c) Complexity.
 - d) Control.
 - e) Resilience.
 - f) Innovation.
- 5.3 The outcome from this assessment has shown that the best option emerging for the remaining three partners is to reaffirm their commitment to the LICTP but to move from the existing Lead Authority/Outsourced Model, to a Lead Authority/Insourced Model from January 2022. With this model, HBBC would continue to be the lead authority with MBC and BDC delegating arrangements for ICT delivery for a further five years until 31 December 2026.
- 5.4 The rationale for this model is that it is affordable, deliverable within the timescales, is straightforward to understand, will bring back more control to the partners, will enable the remaining partners to build better resilience than

through any go it alone option and will allow a much greater degree of innovation and focus on the digital strategy.

LICTP Charter

- 5.5 From the strategic review, it is clear that the Partnership has got the potential to make significant improvements. However, to achieve this will require changes to how the partners work together and that is the focus of the draft Partnership Charter that has been developed with all partners and is attached at Appendix 1. The intent will be to grow the Partnership over time as a result of being an exemplar for all things digital, including championing digital safety and security for local communities.
- 5.6 The rationale behind the Charter is to bring to life the vision in the previously adopted Partnership Digital Strategy and to set high level expectations for the future and most importantly, to set the tone for how the working relationships within the Partnership should develop. It is an attempt to bring together the LICTP Digital Strategy, the Local Digital Declaration to which we are all signatories, the issues that have been identified through the strategic review, as well as researching best practice from elsewhere.
- 5.7 The draft Charter has been structured around three key themes of Digital Councils, Digital Services and Digital Localities, but also has two cross-cutting themes of Collaboration & Data and Governance. For each of these themes, there is a suggested commitment, so five commitments in total. In addition, there are seven Principle Straplines.
- 5.8 It is suggested that if adopted by the partners, a further set of documents should sit below the Charter. The first of these would look at the five commitments and seven principles and answer in the form of desired outcomes for each one the question, “what does this mean?”. The second document would look at creating a series of SMART management objectives linked to the desired outcomes to enable regular monitoring and reporting. The Charter and these two documents would then form the basis of a Performance Management Framework for the Partnership.

Insourcing Model

- 5.9 Within the preferred delivery model, there will be future opportunities that can be explored and developed. Two key aspects that will influence this will be affordability and the level of digital ambition. The more ambitious the partners are, the higher the level of up-front investment needed. Local authorities remain under significant financial pressure, but all organisations also have the opportunity to achieve transformational productivity and customer improvements by adopting a more ambitious digital agenda.
- 5.10 The current cost of ICT service delivery is comparatively very low. This was demonstrated through the benchmarking work carried out by SOCITM (Society of Information Technology Managers) in 2018, where it was established that the level of total ICT investment within the partnership is well

below the lower quartile level for district councils. Soft intelligence also suggests a potential lack of profit margins within the existing outsourcing contract, which has been delivered at a level of cost that is well below what was being charged under the previous contract.

- 5.11 Within this context, a balance has been struck between initial levels of ambition and short-term affordability. The proposal for the initial insourced service model provides for small levels of additional capacity so that the new service is expected to marginally enhance service quality whilst being broadly in line with existing levels of service investment. Over time and as budget positions allow, the intention would be to explore and develop opportunities in order to build further growth using “invest to save” principles, benefits realisation and business cases as appropriate.

Implementation

- 5.12 There will be a challenging timeline to implement the new service from January 2022. Preliminary work has already started and more detailed work will commence as soon as a decision is confirmed. The work required can be broken down into four distinct phases as follows:

- a) Service Design.
- b) Service Desk Management.
- c) Contract Exit.
- d) Transition.

- 5.13 In the lead up to implementation of the new service, there will be a need to create budgets for one-off items of expenditure. Some of this will be for systems/software and products, whilst there will also be a requirement for backfilling resources to free up time for key officers.
- 5.14 The implementation work will be overseen by the LICTP Strategy Board which includes the Chief Executive for each of the partners. Capacity to maintain business as usual whilst implementing such a big change to the service delivery model will be an ongoing risk that will need to be managed.
- 5.15 At this time, it is assumed that the existing outsourced contractor will be cooperative and will adopt a positive approach to managing the transition. It is also assumed that existing key members of staff working for the contractor will not be lost to the partnership, although this will be a risk.
- 5.16 It will be important for everyone to recognise that there will be additional pressures on the service during the implementation period and to manage expectations accordingly.

6. Different options considered

- 6.1 As described in 5.1 to 5.3 above, a full options appraisal has been carried out. This appraisal built upon work that was carried out by SOCITM on behalf of LICTP in 2018. In essence, five different models were considered.

6.2 Within the recommended model for service delivery officers have also considered different levels of potential investment in structures for the new service.

7. Consultation

7.1 As part of the strategic review of the service around 80 managers across the existing Partner Councils have been consulted. Individual meetings with senior management teams have also taken place. Separate discussions have been held with each Chief Executive, and a discussion has been held with the LICTP Director Level Group.

7.2 If the Partnership decides to move forward with a Charter, this will require cultural change across all partners. It will be important to consider what further consultations with all stakeholders for all partner councils might be needed as the Partnership moves forward.

8. Exemptions in accordance with the Access to Information procedure rules

8.1 This report is to be taken in public session.

9. Financial implications [IB]

9.1 The costs of LICTP that are apportioned to existing partners are done so on the basis of historic 2017 Active Directory Users

This will be reviewed by officers to ensure that it is fair and appropriate for all costs incurred by LICTP. For the purposes of estimates in this report the number of Active Directory Users at 31 July 2020 has been used. This follows:-

HBBC - 499 Active Users = 46.7%
BDC - 341 Active Users = 31.9%
MBC - 229 Active Users = 21.4%

9.2 Because there is movement in the number of Active Directory Users between 2017 and 2020, this does have an impact upon required budgets. Other factors also contribute to challenges in direct comparisons, such as web development not being a shared service design and the withdrawal of O&WBC from LICTP.

9.3 For all these reasons, it is difficult to make like for like comparisons, but the following table has been produced to help understanding of each partners' financial position in relation to current and future costs.

	Current ICT Service costs	Current costs with Web	Insourced ICT costs	Insourced ICT costs with Web	% Variance Current Charges excluding web
	£000's	£000's	£000's	£000's	
HBBC	627	671	640	689	2.1%
BDC	306	368	437	505	42.8%
MBC	277	277*	294	315	6.1%
OWBC	248	280	N/A	N/A	N/A
Totals	1,458		1,371		-6.0%
Web	138	-	138		0.0%
Total Service costs with Web	1,596	1,596	1,509	1,509	-5.5%
Current service costs excluding OWBC		1,316			14.7%
Service costs less OWBC plus 11%		1,461			3.3%

*MBC do not currently consume web services from the partnership

- 9.4 In the table, a row is included which takes out the contribution from OWBC so that the total for the new insourced model can be compared with the current charges. The table also includes a row for existing current costs less OWBC contribution but uplifted by a figure of 11%. The basis for this is soft intelligence that the current contract is only operating at 4% profit margins when 15% would be the minimum expected industry standard. This provides a further potential comparative figure as it is likely that, if true, this figure would be recovered in any new tender for the work.
- 9.5 The anticipated cost of the enhanced new service (£1.370 million) is therefore between the existing cost without OWBC (£1.316 million) and the existing cost without OWBC uplifted by 11% (£1.461 million).
- 9.6 Web services will be procured jointly by HBBC and BDC with the lead of management of web activities to be determined. The costs are shown separated to enable partners to see ICT Service costs and Web costs separately.
- 9.7 Web costs are proposed to be split:
- a) Melton Borough Council consuming £21,400 (15.5%)
 - b) Blaby District Council £67,202 (48.8%)
 - c) Hinckley & Bosworth Borough Council £49,278 (35.8%)
- 9.8 This is a change to the current charging model for web is HBBC 32%, OWBC 23% and BDC 45%. MBC will begin to consume web services in the new partnership arrangement. OWBC will no longer consume Web services from the partnership.

- 9.9 It is worth re-emphasising that the cost of the new proposed insourcing model will still be well below the lower quartile benchmark cost for three district councils which is around £4 million. Even with a focus on further investment in the future it is unlikely to get to the lower quartile benchmark in the foreseeable future.
- 9.10 In order to adopt this approach, there are a number of one-off costs that are summarised below. These costs are for the three remaining partners to transition and do not include an exit costs for OWBC leaving the partnership.
- a) Operations management backfill and support to release the Strategic Head of ICT Shared Services to focus on insourcing activities, service design, transition, service desk management systems acquisition, contract exit and transition activities, two-three days per week to December 2021.
 - b) Transition costs, budget for Legal advice around the contract exit, HR advice for TUPE, Job design and evaluation, and any other unforeseen contractual of systems costs not currently envisaged.
 - c) Service Desk Management (SDM) acquisition, capital costs for acquiring a replacement SDM system to Sopra Steria Cherwell Helpdesk system currently provided under the outsourced contract.
 - d) Software Asset Management (SAM) acquisition, capital costs for acquiring a replacement SAM system to Sopra Steria Flexera SAM system currently provided under the outsourced contract.
- 9.11 Once more detail is known on the above costs, they will be included within the budget report to Council in February 2021.
- 9.12 There are no direct costs of adopting the Partnership Charter. However, it will be an important statement of intent that requires a level of commitment to a digital future. This will have potential for a number of invest to save initiatives to emerge.

10. Legal Implications [MR]

- 10.1 At present, each partner council has delegated the delivery of an ICT service to HBBC until 31 December 2021. The outsourcing contract from HBBC to Sopra Steria Ltd is also due to end of the same date.
- 10.2 TUPE issues will apply and this will need to be worked through with the existing contractor.
- 10.3 Governance arrangements for LICTP beyond December 2021 are currently being reviewed and it is anticipated that there will be some changes to future governance arrangements designed to achieve the ambitions within the Partnership Charter.

11. Corporate Plan Implications

- 11.1 Contributes to the whole Corporate Plan.

12. Consultation

12.1 As set out within the report.

13. Risk implications

13.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

13.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

14. Knowing your community – equality and rural implications

14.1 There will be long-term community benefits from achieving ambitions within the Partnership Charter.

15. Climate implications

15.1 The full programme of work for the Partnership will take full account of the priorities and commitment of the Borough, as set out in the Climate Change Strategy.

16. Corporate implications

16.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

Background papers: None.

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