LONDON BOROUGH OF HARROW

Meeting:	Cabinet
Date:	13 January 2004
Subject:	IT Strategic Partnership
Key decision:	No
Responsible Chief Officer:	Executive Director - Business Connections
Relevant Portfolio Holder:	Finance & Human Resources and Performance Management
Status:	Part 1
Ward:	All
Enclosures:	Appendix A – Consultants Report

1. **Summary**

1.1 In order to deliver the Council's ICT strategy within the necessary timescales consultants were asked to report on the options for procuring a strategic ICT partner. The consultants recommend that the Council should procure an ICT and Major Projects partner to enable the delivery of a significant proportion of the ICT strategy.

The Official Journal of the European Union (OJEU) negotiated route is the recommended procurement method.

2. Recommendations

2.1 That Members agree to the procurement of an ICT and Major Projects Partner.

2.2 That Members agree that the procurement route be via the negotiated procedure advertising in the OJEU.

REASON:

In order that the work outlined in the approved ICT strategy can be delivered.

3. **Consultation with Ward Councillors**

None.

4. Policy Context (including Relevant Previous Decisions)

4.1 The ICT strategy agreed by Cabinet in November 2003 set out the agenda for investment in and development of ICT in Harrow for the next 5 years. This reports proposes a route by which a significant proportion of the strategy could be delivered.

5. Relevance to Corporate Priorities

5.1 An effective IT service is essential if we are to deliver other key priorities such as the New Harrow Project and the recommendations from the First Contact review. The procurement of a strategic ICT partner will underpin the delivery of all the Council's corporate priorities.

6. Background Information and options considered

6.1 Partnership Options

In November 2003 Cabinet agreed the Council's strategy for ICT. This strategy set out a comprehensive agenda for the next 5 years and it is estimated that the associated costs (both revenue and capital) of delivering the full strategy are in the region of £20m.

Officers identified that one of the ways of delivering this agenda would be to enter into a partnership with a major supplier who would be able to deliver a significant proportion of the strategy, adding much needed capacity and expertise.

Due to the number of different partnership models being developed by Local Authorities nationally and the fact that many of them are not sufficiently advanced to be proven, consultants were employed to advise the Council on the best way forward. The consultants brief was as follows:-

Stage 1

Analyse the current partnership market and produce a report for consideration by senior managers and Members.

Understand the current position in Harrow.

Consider the options available for the different types of strategic partnerships.

Prepare a report setting out the advantages and disadvantages of the different options as they relate to Harrow.

Stage 2

Work with the Director Of Business Services and the Executive Director (Business Connections) to develop a specification and success criteria for the chosen partnership route.

Stage one is now complete and the consultants report is attached at appendix A. Stage two will commence when and if a partnership option is agreed by Cabinet.

The consultants consider that, of the options they have considered, only two fully meet the Council's needs. The two options are the major Strategic Partnership and the ICT and Major Projects Partnership. It is the view of the consultants that the other options considered and combinations of them only partially satisfy the Council's needs.

The consultants believe that the major Strategic Partnership would be more appropriate if the Council was seeking a partner over a broader range of services than purely ICT. They also acknowledge that there are likely to be significant risks and procurement difficulties attached to this option as there would be a limited market available to provide this option.

As the Council's intent is to seek a partner to help in the delivery of the ICT strategy, rather than a wider portfolio of services, the consultants recommend the procurement of an ICT and Major Projects partner. This would carry less risk and procurement difficulties than the Strategic Partnership option, as there is likely to be a larger market of potential partners.

6.2 <u>The Procurement Route</u>

There are two ways in which the Council could procure an ICT partner, either via the OJEU (Official Journal of the European Union) negotiated procedure or through the government's Services Catalogues (S-Cat) division operated by the OGC (Office of Government Commerce).

It is recommended that, subject to Cabinet agreeing the ICT partnership model, the Council should seek a partner via the OJEU negotiated procedure rather than through S-Cat

This route would give greater flexibility, and potential price advantage, to the Council. The reason for this is that S-Cat commit their suppliers to a price pledge which restricts the commercial deal to the prices offered to the OGC. Due to the competitive nature of the market for ICT services, using the negotiated OJEU procedure would deliver true up to date market prices and not limit the Council to prices negotiated by OGC on a much more generic specification. Advice from the consultants and procurement professionals suggests that individually negotiated prices are likely to be more advantageous to the Council than the generic S-cat ones.

One of the perceived benefits of S-cat is that it reduces the time taken to procure a partner. However, in reality, the timescales required by the OJEU procedure are unlikely to delay the Council further than the timescales required by the S-cat route since the complexity of the procurement would require the Council to allow potential partners sufficient time to compile their responses and bids under either route.

In relation to the Council's Contract Standing Orders, the reason for selecting the negotiated procurement route would be that the nature of the services provided, and risks attached thereto, do not permit overall pricing except via negotiation.

Should Cabinet agree the OJEU procurement route a more detailed procurement process will be developed for Cabinet's consideration.

7. **Consultation**

7.1 A meeting of the Members IT Working Group considered the consultants report on the 16th of December 2003.

8. **Finance Observations**

8.1 The proposed Medium Term Budget Strategy considered by Cabinet on the 16th December includes revenue funding for the development of the ICT strategy, including any element to be delivered by partnership. The Capital Medium Term Budget Strategy will be considered by Cabinet in February and will include some bids for capital growth to fund elements of the strategy.

9. **Legal Observations**

9.1 Contained in the report.

10. **Conclusion**

10.1 Following work by consultants it is recommended that the Council should procure an ICT and major Projects partner to enable the delivery of a significant proportion of the ICT strategy to be undertaken.

The OJEU negotiated route is the recommended procurement method.

11. Background Papers

11.1 ICT Strategy
First Contact Review

12. **Author**

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January 2004

Appendix A

London Borough Of Harrow
Partnerships In ICT
Stage 1
Options Analysis
A Report By Libre Consulting Limited
December 2003

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Introduction

Background

The London Borough of Harrow (the Council) is currently considering the future delivery of its ICT requirements. The central IT service (HITS) has recently been strengthened and an ICT strategy is in the process of development. However, the Council has identified that is likely to need significant support from external sources to enable it to meet the step change required in its ICT systems over the next 5 to 10 years.

Harrow wishes to explore the various options for partnership working, including managed ICT services, a Client Side Strategic Partnership, a single strategic partner or a number of strategic partners to assist initially in the following areas:

- Front office systems (including First Contact);
- Back office systems (including business support, performance management and office based systems);
- ICT architecture development and network management; and
- Desk top support and procurement.

Libre Consulting Limited (Libre) has been engaged to undertake preparation work for the Council with regard to the development of the most appropriate partnership options. We are pleased to provide our Stage 1 findings in this report.

Our Brief

Our brief is to undertake work in two stages. These are as summarised below.

- **Stage 1**
  - Analyse the current partnership market and produce a report for consideration by senior managers;
  - Understand the current position in Harrow;
  - Consider the options available for the different types of strategic partnerships; and
  - Prepare a report setting out the advantages and disadvantages of the different options as they relate to Harrow.
- **Stage 2**
  - Work with the Head of Financial and Exchequer Services and the Executive Director of Business Connections to develop a specification and success criteria for the chosen partnership route.

This report provides our findings and conclusions with respect to Stage 1 of the assignment.

Our Approach

Our approach to this assignment has had the following steps. Firstly, we sought to understand the Council's requirements with respect to ICT and the development of partnership models. This involved discussions with appropriate senior staff in the Council and with relevant senior Members from the political groups. We also took time to understand the emerging ICT Strategy and its relationship to the overall organisational objectives of the Council. This work provided us with a clear understanding of the Council's requirements and the approaches that it was willing to consider.

Following the above work we then undertook a survey of suppliers and other local authorities. This was done in order to understand:

- what the market is offering and, in particular, the supply market for the particular options actively being considered by the Council; and

- the experiences of other local authorities in entering into partnerships and the lessons that can be learned.

The above information coupled with that publicly available and our own knowledge gave us the basis to build up and assess the various options that the Council has for meeting the challenges that it faces. This has been done and is presented in this report.

This Document

This document is structured under the following subsequent chapter headings:

- Chapter 2 - The Current Position and the Council's Requirements;

- Chapter 3 - The Market and Developments;

- Chapter 4 - Assessment of The Options; and

- Chapter 5 - Conclusions and Recommendations.

The Current Position and the Council's Requirements

Introduction

This chapter is intended to set out the Council's current position with regard to ICT and the wider considerations with respect to partnerships. We then go on to set out what the Council is trying to achieve and the constraints that it faces.

The Current Position

Harrow Council is embarking on a major reorganisation which has the single aim of making a real and noticeable improvement to the services provided to the public. The reorganisation is called "The New Harrow Project" and involves the council changing its structure and prioritising its services to make a visible difference to Harrow and its environment.

A restructured Harrow Council, aimed at providing more efficient and targeted services to people who live and work in Harrow, took effect from Wednesday October 1, 2003. The restructuring, which has been more than a year in planning, means that new council directorates - known as People First, Urban Living, Business Connections, and Organisational Development - will be bringing effective and efficient services to our customers.

The ICT Position

The CPA carried an assessment of the Council in 2002 with regard to the quality of services and the capacity of the Council to deliver improvement. The Council was judged to have an overall score of being 'Weak'. The CPA identified a number of areas where ICT needed to improve or facilitate improvement, including:

- Expanding the intranet as a communication tool
- Delivering e-Government
- Delivering First Contact

Additionally, the CPA specifically recommended the development of a corporate ICT strategy.

Harrow's IT services are based around a central, internally supported network running Novell Netware. The desktop environment is Microsoft Office products. The Council is in the process of moving its email and diary facilities to Microsoft Exchange from Novell Groupwise, which is expected to provide significantly improved functionality in these areas. There are approximately 2,000 PCs or windows terminals on the network. The windows terminals use Citrix or terminal server. The Revenues and Benefits service use an element of this network as an NT network supported by Unisys.

The application environment is based on package solutions using Unix and NT/Windows 2000 Server servers. Oracle is the preferred strategic database and there are a few in-house applications developed in this environment. The Council uses the Microsoft IIS environment for its web site, which it maintains itself. But we will be changing to the open source Unix environment that we use for our intranet as part of the APLAWS e-pathfinder.

This Council's wide area network covers the Civic Centre, the Depot, the Leisure Centre, libraries, Social Services establishments and the teachers centre. There are further networked PCs in schools which are used for administration purposes.

Harrow is actively joining partners' networks to help deliver joined up services. Projects in hand are:

- Third party connection to NHSnet
- Network bridge to LGfL (London Grid for Learning)

E-Government developments are being driven by the Council's New Harrow project and cross cutting Best Value themes, in particular First Contact. However, the Council has already implemented some particular applications, for example, e-payments and e-billing.

The radical changes envisaged in the way that the Council operates will create considerable demands on its ICT resources. The basic ICT provision needs considerable work. This work is underway with the recruitment of new managers, the establishment of an ICT organisational structure to facilitate the required improvements and the preparation of an ICT strategy. However, due to an extended period of underinvestment and direction of ICT as well as meeting the challenge of enabling the new way of working for the Council, major investment is required in the ICT infrastructure. This extends to the desktop, the local and wide area networks, system management and corporate and application systems.
This investment will be crucial to deliver new ways of service delivery and to the provision of the necessary underlying secure and robust infrastructure. In particular, it will not be possible to provide cost effective back up and disaster recovery arrangements in ICT to support business continuity requirements until considerable progress is made.

The Council's Requirements

We have spent some considerable time assessing the Council's requirements with respect to partnership. This has involved discussions with key officers and with the portfolio holders from each of the main parties. These discussions provided a clear and relatively consistent view as to what the Council needs from a partnership. We were pleased with regard to the open approach being taken and the willingness to consider the fullest range of options.

As set out above the Council has considerable requirements with regard to developing an effective ICT service. Additionally, there is a need for considerable investment to achieve the radical changes that the Council is aiming to make in order to fulfil its ambitions with regard to service delivery. Overall, the work required will relate to:

- Front office systems (including First Contact);
- Back office systems (including business support, performance management and office based systems);
- ICT architecture development and network management; and
- Desk top support and procurement.

In addition to the above, the Council has wider requirements. The introduction of new systems, such as front office applications, should bring considerable benefits in terms of new services and reduced costs. Indeed, the Council will need to generate savings in order to finance the investments in new systems that it needs.

To achieve these improved services and savings needs considerable time and expertise to redesign processes and to undertake the major change management work that will be required. If this work is not done then the Council will not achieve the desired return on its investment. This process redesign work is required throughout the Council and not just at the front office.

The Council is aware that it does not have the resources in-house to carry out all of the work necessary, both with regard to ICT or the wider requirements set out above. It is also not in a position whereby it can acquire all these resources directly in a manner that is either effective or cost efficient. It is clear, therefore, that the Council needs to engage a private sector partner or partners to assist it.

The particular requirements that the Council has can be set out under the following headings.

Service Area

The Council is, initially, interested in providing the ICT infrastructure and services that will enable efficient and effective service delivery. It is important to appreciate, however, that the improvements in ICT can only be fulfilled and the necessary return on investment generated if the approach provides for, or at least does not obstruct, considerable organisational and business process change throughout the authority.

In examining the options we were encouraged to take a wide and open view on the partnership options that are available.

Constraints

The constraints that the authority faces are mostly centred on capacity and financial resources. As with most local authorities, the Council has limited change management and business process reengineering resources in-house. It already faces considerable demands on these scarce resources. Consequently, any option that does not bring with it these key resources will not be viable.

The Council has also limited capital and revenue financial resources. Funding major capital investment will require external funding. Additionally, the direct revenue costs and revenue implications of capital expenditure will need to be largely funded by efficiency savings. The additional costs and savings will also need to be matched in such a way as not to cause the authority considerable difficulty in any particular financial period.

Requirements

The requirements of the new partnership(s) will be to provide and/or facilitate or enable improvements necessary to:

- Fulfil the ambitions of the New Harrow project;
- Enable the Council to fulfil its ambitions with regard to Egovernment; and
- Provide for much improved service delivery through major projects such as First Contact and related organisational and business process change.

The Options Identified - Partnership Models

At the commencement of the contract we and the Council developed a set of partnership models that could potentially be applied in Harrow. The principle adopted was to take as broad a view as possible. Essentially, nothing has been ruled out and we have considered a range of options that range from a number of different partners engaging in relatively limited packages of work to a large strategic partnership that includes the delivery of services much wider than ICT.

Notwithstanding the above, there are features that apply to all of the suggested models. The Council is interested in entering into a genuine partnership where the parties enter into a risk and reward type of model. The Council is particularly interested in a partnership for the major projects where the Council's partner works with it to achieve and share in the achievement of the financial benefits from the projects.

The major partnership models identified are set out below.

Client Side Partnership

In this model the Council will engage a partner who will have responsibility for managing the supply side of the Council's ICT requirements. In such circumstances the partner is unlikely to be a direct provider but rather one that procures and manages the input from other parties – possibly including the Council's own in-house IT Services. It is clear that the partner in such circumstances would have to be independent.

ICT Mixed Economy Partnership(s)

In this model the services provided by the partner would be used to augment that available through the in-house service. These services would be used to address issues in terms of skill sets the Council does not have and capacity in terms of volume. The partner would work closely with the in-house team to provide the necessary services. It would work with respect to the major First Contact and Egovernment projects but would not be the principal supplier of these works.

A variant on this model that is also under consideration is to have this form of partnership but with a number of partners providing different aspects of the services (e.g. one partner providing desk top support while another provides infrastructure support etc).

ICT And Major Projects Partner

In this model the Council would engage a partner who would work with the Council to provide the services described in the previous model but would also be engaged as the principal contractor for the provision of the required First Contact and Egovernment work. In this case the Council will require the partner to provide assistance much wider than merely ICT. Change management and BPR work will be required and a partner who works with the Council to ensure that it gets the service and financial returns from the investment made. It is likely that the Council would wish the partner also to make the necessary capital investments. This would, of course, be a long term strategic partnership with a risk and reward element.

Major Projects Partner

This model is essentially the same as that above but without the ongoing ICT work.

ICT Outsource

This model is one where the Council outsources all of its ICT services to a partner who will be responsible for the delivery of all of the Council's ICT services and the major projects. The other requirements with respect to the individual components outlined above remain.

Strategic Partnership

This option is one whereby the Council engages in a partner who delivers all of the services under the ICT and Major Projects partnership option but where the partner also a range of services for the Council. The range of services usually includes the majority of support services including Finance, HR, Property Services and HR and often includes contact or call centres as part of the package.

Public Sector Partner

This model involves the Council entering into a partnership with another local authority, for example a peer authority from the West London Alliance, or a Health Trust to pool scarce resources and jointly develop and procure solutions as appropriate.

The Market and Developments

The Market

The market for local government ICT based partnerships is a constantly evolving one. The trend until recently has been for widely framed strategic partnerships with a considerable number of functions included. These have typically involved the strategic partner taking over a wide range of services including the majority of support services plus some front line services.

These partnerships have tended to not directly affect the majority of core services in the authority. There are examples of services being transferred in the Education arena but these have tended to be stand alone contracts rather than included in a wider strategic partnership "wrapper". The motivation for the Council from these contracts varies but has included:

- A need or desire to make revenue savings;
- A requirement for investment in services (typically including ICT, buildings and business change);
- the wish for a partner who can bring about cultural change in the organisation; and
- the use of the partnership as a basis for economic development through the attraction of other services to the area.

Increasingly, there is a move towards partnerships that have a more sophisticated approach and that do not involve the transfer of large numbers of existing local government staff from the Council to a partner. In these instances the private sector partner provides the added value aspects of its services working closely with the Council rather than taking over services.

The extent of pure ICT partnerships continues to grow with companies such as ITNet, Steria and Agilysys in particular, having some considerable success recently. We are also seeing a trend of prospective partners much more actively pre-qualifying opportunities. This qualifying activity can focus on a number of different factors. One driver is the very high cost of tendering for major partnerships. This coupled with the significant number of aborted procurements has made companies very wary as to the opportunities that they pursue. Many of the companies also qualify with regard to organisational culture issues. If they do not believe they can work successfully with the officer and political management of the Council they are likely to walk away from otherwise attractive deals.

Market Research – Suppliers

We have consulted with a wide range of potential suppliers from the market. This range included suppliers from different service provision areas. This was done so as to contact as wide a range of different types of potentially relevant service suppliers. It also reflects the diversity of the partnership models that the Council is considering.

The companies contacted were:

- Oracle;
- Capita;
- ItNet;
- Steria;
- Unisys;
- Computacentre;
- HBS;
- Northgate Information Systems;

- Cap Gemini Ernst & Young;
- Accenture;
- Tata Consulting Services;
- Hedra;
- Fujitsu; and
- Satyam Consulting Services.

The above companies include companies providing managed services to local authorities through strategic partnerships. Others are providing, largely, ICT facilities management and development services. There are also advisory companies on the list who were thought to be likely providers of Client Side Manager role. Finally, there are two Indian companies who it is felt could provide access to the well educated but low cost Indian labour market, a market that is highly skilled in the delivery of ICT services. We are grateful to the assistance and guidance we have received from the above companies. It has enabled us to take a wide view on the market. We are concerned that this report does not betray any of these companies' commercial confidences. To that end we have tended not to refer to specific companies in the assessment of options but to deal with them generically.

The companies with whom we had contact generally expressed some considerable interest in working with Harrow. They were keen to participate in the exercise at this stage.

Market Research – Local Authorities

We have talked to a number of authorities who have been subject to a variety of partnership deals. These authorities have included London Boroughs and County, Metropolitan, Unitary and District Councils. It is sometimes as difficult to get an unequivocal answer from the client authorities as it is the companies since they often have as much political and emotional investment in regarding the partnership they have entered into as a success. However, we have received useful feedback which coupled with our existing knowledge, gives us a strong position from which to work.

Assessment of The Options

Introduction

In the following sections of this report we set out the findings with regard to each of the options. We assess the extent to which each of the options meets the Council's requirements. This assessment involves the core suitability of the option (does it have the basic constituents required to meet the Council's requirements?), the track record of success and the willingness of the market to provide the services required.

Public Sector Partnership

This option relates to local authorities and/or the health service combining to provide the solutions that they require. All public bodies are short of the resources needed to meet the challenges of the type in Harrow. Joining with another organisation or organisations may ease the problem but, unless priorities are very similar, is unlikely to meet the timescales required. Relative to ICT, partner authorities will require to have similar corporate and ICT strategies, as well as priorities, and this is rarely the case (for example, they will all be starting from different baselines).

Council cultures are often very different and this is likely to inhibit the degree of partnership working achieved. Additionally, it is highly unlikely that even by conjoining with other organisations the resources will be in place to achieve the scale of change programme envisaged. Nevertheless, there is no doubt that the Council and any partner it takes on will wish to work cooperatively with other public sector organisations. This should happen irrespective of any principal model that is selected. Consequently, public sector partnership does not represent an option that can effectively be taken forward in the context of the subject of this report.

Notwithstanding the above, the Council needs to work with a range of other organisations to deliver its objectives. Such partnership working is becoming increasingly crucial and prevalent. Whatever option is

selected for taking forward ICT and related developments the Council will need to ensure that it facilitates and certainly does not block such arrangements.

Client Side Partnership
Option Summary

In this model the Council will engage a partner who will have responsibility for managing the supply side of the Council's ICT requirements. In such circumstances the partner is unlikely to be a direct provider but rather one that procures and manages the input from other parties – possibly including the Council's own IT Services.

The Fit To The Council's Requirements

This option will provide the Council with strategic level input to the development of its ICT and related services. It will not deliver all that it requires but will put in place the mechanisms whereby these can be delivered. From this option would emanate a range of other partnerships with which the Council would be engaged though these would, in the main, be managed by the partner.

The Council is intending to engage on a change programme that will involve resolving current considerable weaknesses in terms of its ICT infrastructure and core operating systems. The Council is also moving forward with major projects including with respect to First Contact. All of these actions necessitate the application of considerable resources in terms of ICT, business process re-design and change management. The Council does not have sufficient resources of that nature in-house and needs an arrangement or arrangements that deliver these resources.

Procuring the Strategic Client Manager is likely to take at least three and possibly as much as six months. There is a danger that this will delay the procurement of the resources identified in the previous paragraph. The management of these partners would of course fall to the appointed Strategic Client Manager. It should also be recognised that this approach will not in itself bring the funding that the Council requires. That would need to be dealt with through the subsequent partnerships that are arranged.

The Council is engaging on a process of reinventing its in-house ICT arrangements. It has moved the in-house organisation towards understanding and defining the Council's requirements and arranging for their delivery rather than the actually delivering the services itself. To an extent that means that the in-house organisation is moving towards providing the services of the Strategic Client Manager. However, it appears that the role of HITS and its capabilities will be at a level one stage below that envisaged for the Strategic Client Partner. In particular, the high level view of service delivery and change management of business processes is not one that will sit comfortably with HITS. It is in this role that the new partner would be found. Such a partner will be useful in providing the access to very high level skills that it would not be able to provide itself.

The Market For The Services

This is a relatively innovative approach of which there is little experience. We have talked to a number of organisations. Of those the only ones who expressed a desire to get into such an arrangement were the consultancies. Even there the real interest amongst the major of these organisations is not in the client side work but in the major BPR work. If the Council wishes to engage an organisation with the high level skills in the quantity that they would be seeking for this role it is likely that they would need to talk to the major houses. Our perception is that those with the appropriate skills would be more likely to be interested in the doing work rather than the procuring.

The fallout from the audit based major consultancy firm audit separation means that these are now mostly merged with ICT companies and are, consequently, no longer independent. Few pure strategic ICT consultancies remain with either the technology leadership or public sector experience that Harrow will require. Potential partners will need a guaranteed work flow for this option to be attractive to them, which, in Harrow's case, is unlikely to be sufficiently large to be attractive.

There are examples of organisations carrying out this work for local authorities. These tend, however, to be the Facilities Management providers (e.g. ITNet, Steria). In our discussions with them they have stated that in so doing they would not necessarily expect to get all of the work but would expect to be able to pitch for that which was appropriate to them. It is unlikely that they would be keen to enter into an arrangement whereby they would preclude themselves from the down stream work.

The remaining potential area of supply of this type of service would be the smaller consultancies. These can be split into two camps. The first is the specialist ICT consultancy. Our view is that such organisations will not bring the breadth of local government knowledge or strategic expertise that the Council would require. The second of these are the generalist local government/public sector consultancies who would bring the breadth of local government knowledge but probably not the level of ICT skills that would be required.

The Experience Of Other Organisations

There are few if any organisations of which we are aware that have entered into such partnerships in this field. Harlow DC recently tendered for a strategic partner. The response was limited and it did not bring them a satisfactory service. In that regard Harrow would be leading the way as one of the first Councils to take this approach. We have tried to extend the spread of services to capture relevant experience from other fields, particularly in Construction and facilities management. However, there is little that is sufficiently analogous to be of use in this case.

Risks

The risks emanating from this approach can be regarded as relatively limited. There are, however, some real risks which need to be recognised and addressed. The first risk is that the procurement exercise fails to produce a partner with the right skill mix. This is in our view a very real risk with the Council being put in a position where it has the choice of engaging with a sub-optimal partner or continuing to provide the role from within the Council using external support on an ad-hoc basis. The outcome may well be to delay the major change programmes that the Council requires.

A second area of risk lies in Council ownership. There is a danger that the Council will be overly reliant on a partner for its strategic view on ICT and the change programme(s). We believe that this risk is manageable but, in essence, the Council will lose a degree of control in a vital area – it will cease to be its own “intelligent client”. It also runs the risk of being one step divorced from the organisations delivering the end product of systems, processes, BPR and change management. Our experience of working in and with partnerships is that the more parties that are involved the more scope there is for conflict and communication difficulties.

The final area of risk relates to conflict of interest. Our view is that the majority of organisations with the necessary skill sets would be either conflicted out from the beginning or would see a conflict in commercial terms. There remains a danger that the partner engaged may not be have a conflict of interest at inception but becomes in such a position during the currency of the partnership. The ICT and consultancy industries are changing considerably for a variety of reasons. There is a real risk that the Strategic Client Partner could be bought by or buy one or more of the core suppliers, whether existing or potential. That could create an untenable position with regard to the partnership and/or restrict the market for the delivery of the services.

Summary

Advantages	Disadvantages
Introduction of intelligent client skills and resources Potential access to a wide range of service delivery organisations	Limited experience elsewhere Very limited market interest Extended communication chain to delivery partners Delay to overall procurement process

	and the introduction of required changes in the Council Potential developing conflicts of interest Possibility of making downstream partnerships less attractive to potential partners Does not by itself fully meet the Council's requirements

This is an option that has a number of very clear advantages. In particular, it will potentially bring in high level client skills that the Council might otherwise find it difficult to source. However, it has not been tried extensively before and evinced very limited interest from the market. Aspects of this option are seen in other models but not this one in its purest form. We also believe that there is the potential for the Strategic Client Partner to be a block between the Council and its delivery partner rather than an enabling agent. It will also provide some potential delay to the procurement process and, consequently, the progress of the changes required by the Council.

ICT Mixed Economy Partnership(s)
Option Summary

This model is one aimed at addressing the Council's requirements with respect to ICT services. It does not include the provision of the wider services with respect to major projects such as First Contact and the major change management and business process work.

With this option the Council's own in-house ICT resources would work with a private sector partner. That partner would augment the skills and resource sets available in-house through a partnership arrangement. In this way the Council retains its in-house capacity but accesses the ICT skills and resources of a major partner or partner. It could be developed from the current key supplier relationships that the Council has in place with a number of its larger ICT suppliers.

The Fit To The Council's Requirements

This option has a considerable number of advantages. It:

- Could address major ICT issues (i.e. infrastructure upgrade, back up and disaster recovery etc.);
- Would enable the new ICT set up to focus on a narrower range of services and to upskill to support transformation and new initiatives; and
- Could attract funding though the scope is likely to be limited.

Under this option roles and responsibilities would need to be clearly defined. Even with a Partnership Board and advanced governance arrangements this will almost certainly work against partnership flexibility and leverage. Additionally, it may be difficult to achieve economies of scale as services will necessarily be fragmented and interfaces possibly costly to operate.

The manner in which we have described this option puts most of the emphasis on the Council to be the driving force behind the programme of change. It places some considerable emphasis on the Council's in-house ICT operation to manage the programme and the partner. We do not believe that the Council has the resources in place or is likely to have them in place to achieve that, even through a partnership board. Consequently, we believe that the model has to emphasise more the input and the drive from the partner. We have also some concerns that such a model can be ICT rather than organisationally driven. The major changes have to be organisationally driven with ICT as the enabler – this option may act against that imperative. It is likely to be difficult to achieve "end to end" service delivery transformation.

The Council requires major capital investment to transform its service delivery. This type of arrangement can be a means to achieving that investment but care needs to be taken to ensure that the package of services on offer is sufficient and sufficiently clearly defined with a future profile to provide the means by which that capital investment can be spread over a long period of significant revenue streams.

The Market For The Services

There is an established market for this option. The mixed approach would be attractive to the smaller players (such as Fox IT) though less attractive to the bigger players. The potential bidders would include traditional outsource and ICT service companies. However, most of these, other than specialist niche players such as Computacenter, would prefer full outsource and projects as a part outsource tends to be less financially attractive. Most of these bidders would regard such an option as a starting point only.

The Experience Of Other Organisations

There are a number of Councils who have similar arrangements though they tend to be more piecemeal in their makeup. Additionally, they are almost exclusively traditional client/contractor arrangements. Where a partner is brought in to provide an extensive range of ICT services on an ongoing basis there tends to be an outsource arrangement with the partner taking over the full range or almost the full range of the Council's ICT arrangements. The examples we are aware of tend to centre on the provision of such as desk top support services, which are often successful but suffer in a number of cases through a lack of resources directed to the service. Typically, these cases have been motivated by the generation of savings from ICT services rather than focusing on quality of service.

Risk

There are some risks attached to this option. These include:

- Fragmentation of service delivery;
- Poor value for money being delivered as a result of limited supplier interest;
- Being more difficult to mount major projects, particularly if it is perceived that a major competitor is already on site; and
- Friction between in-house and external service providers and between the different external service providers.

Summary

Advantages	Disadvantages
Addresses major ICT Issues Enables the in-house ICT resources to focus on a narrower range of services Could attract investment	Does not address the Council's requirement for major projects and change management May discourage investment, risk sharing and, indeed, participation by potential partners for the wider Council requirements Potentially brings about a complex set of contractual and working relationships with regard to the delivery of the Council's requirements

This option has a number of advantages, not least the ability to procure only the services that the Council requires. It does, however, have a number of disadvantages. These centre mostly around the

focus on ICT. In our view this option provides a possible approach to addressing the Council's ICT issues but may not provide the most appropriate means of achieving the major step change that the Council requires.

ICT And Major Projects Partner
Option Summary

In this model the Council would engage a partner who would work with the Council to provide the services described in the previous model but would also be engaged as the principal contractor for the provision of the required First Contact and Egovernment work. In this case the Council will require the partner to provide assistance much wider than merely ICT.

This option now tends to be focused on business transformation, which equates to a major cultural change. It necessitates a proper partnership approach to drive it forward. The nature of these undertakings is much larger than previous arrangements and requires considerable joint working. Consequently, it requires much higher levels of management input from both parties to make sure that it works and, in particular, flexes to meet developing needs and ensure transformation works.

Our work has uncovered interesting approaches to this type of option. It is worth outlining the features of two of these approaches.

Bath and North East Somerset (BANES)

In this partnership between HBS and BANES the Council outsourced its ICT services to HBS. HBS were able to make savings in these services. Rather than pass the savings back to the Council, HBS used the 10% generated from a previous team of 60 to set up a business improvement team of 6 individuals. This team sit with the Council and seek areas for improvement. They work with the Council to identify the potential areas and to prepare feasibility studies prior to a full business case being generated.

The projects generated from that are focused more on core services rather than support services as would often be the case with most of the large scale Strategic Partnerships. The idea behind the programme is that HBS will manage the transformational stage handing back the services in a "steady state" for ongoing management. HBS are incentivised on a project by project basis within a framework of general arrangements. These arrangements are based on three sets of milestones for each project:

- Milestone 1 - Identification of savings;
- Milestone 2 – Staff or other resources pulled off the service; and
- Milestone 3 – It is demonstrated that the changes and savings are sustainable

HBS are prepared to provide investment for the individual projects. The early efficiency projects were used to fund the capital investment. The partnership is managed by a Partnership Board and there is an emphasis on joint planning with the Council able to call on HBS resources as and when required.

Norwich Connect

Steria leads a consortium including Atos KPMG, BT and Comino to provide a programme of change to Norwich City Council. The project aims to deliver joined up government through improved communication inside and with the City Council. The project is a PFI one that was supported by £15 million of pathfinder funding and also uses savings generated from the improvements in processes to fund the programme. It is intended to change the whole way that the Council works across the full range of services. It involves major BPR, change management and re-training of staff. The contract includes a "road map" of savings based on a detailed set of business cases prepared at the outset.

This provides a different approach to that in BANES though with the same outcomes. It is interesting that in this particular deal Steria would not have entered it without acquiring the Council's ICT resources. There are some doubts as to the success to date of this project with, for example, the Council continuing to have a rather poor website after significantly over a year of the partnership being in place.

The Fit To The Council's Requirements

This general approach as exemplified by the two examples above and others does provide a means by which the Council can attract the investment that it requires in ICT and related matters. The securing of such investment will be reliant on a relatively lengthy contract period over which the amortisation of the capital expenditure can be delivered. This type of arrangement is geared towards bridging the skills gaps that the Council has and providing a means by which the major change programme can be afforded.

There is no reason why this type of arrangement cannot be combined with the provision of some services by the partner. This approach has been successfully followed in BANES where the partner does provide a limited set of services but the extent of that is limited with the general expectation being that the Council will continue to provide the majority of services. This also provides a more overall approach. Most white collar strategic partnerships have focused primarily on support services with limited direct service provision included. It has to be recognised that the majority of Council activity is in direct service provision and it is there, consequently, that the majority of service improvements and savings are to be found. This approach enables a more comprehensive and business process centred approach to be taken.

The Council is keen that the partner is incentivised effectively to deliver the service improvements and savings that are sought. The scale of these arrangements allows that to be done to a considerable extent. It is not our view, however, that the suppliers will be willing with this type of deal to buy into an incentive package based on, for instance, a broad basket of PIs (e.g. the BVPIs) where they have limited control. It is more likely that this will be based on an overall approach and framework within which individual project incentives are agreed.

The approach taken in Norwich where by a road map to savings and performance improvement was agreed is one way, but one that might be more easily managed in the more limited District Council environment. It would indicate, however, in Harrow's case that a version of that approach may provide the means by which a means of funding the First Contact initiative could be identified from savings generated at the outset and committed to in partnership by the Council and the prospective partner. Following from the initial exercise there could be a wider programme of improvements across the full range of the Council. In that regard it is important to appreciate that the Council has to be committed to making the decisions and playing its full part in achieving the changes necessary.

The Market For The Services

Though there are not a huge number of these deals in existence there is a well established market for these packages of services. Companies such as Capita, HBS and Cap Gemini Ernst and Young all are capable of undertaking such assignments using their own resources and specialist sub-contractors. Additionally, consortia such as the Steria, Atos KPMG example in Norwich are in a position to provide an equally full set of services in such circumstances. The Council should have little difficulty in attracting sufficient interest from the market for such an approach. Nevertheless, the notes of caution raised in our review of the market with respect to suppliers qualifying opportunities needs to be recognised.

The major area which would seem likely to give some difficulty is the position with regard to the provision of the core ICT services. Almost all of the suppliers we talked to expressed the view that it would be necessary, or at least very desirable, for the Council's ICT function to be transferred to them for this type of deal to work. One or two suggested that alternative arrangements could be made – such as secondment but it is an area over which they are generally keen to have control. If the Council should select this option the provision of the ICT services provided by the current HITS is one that may profitably be left open and subjected to negotiation during the life of the project.

The Experience Of Other Organisations

The majority of the partnerships of this type that have been formed are rather young. Consequently, it will be some time before we can truly evaluate their efficacy. However, the initial signs are relatively encouraging with most of the authorities relatively happy with progress to date. However, with regard to Norwich, where we would have expected to see some evidence of changes already the Council's

website is disappointing and appears to contain little functionality in terms of being able to carry out transactions of any sort – features we would have expected to se as early developments.

Risk

There are risks involved with all of the options. The major risks here are that the procurement does not bring the partner or combination of partners that it wishes. This is a risk that can be avoided or reduced by flexible application of tendering practices and the use of the negotiated procedure. Further risks are that the partner fails to perform. The use of incentivisation combined with careful procurement and effective partnership governance arrangements should minimise the extent of this. However, it is almost certain that the biggest risk lies with the Council itself. If it does not enable the culture change that is undoubtedly required the partnership will fail. The appreciation of the scale of the changes envisaged must be shared and appreciated widely and not arrive as a surprise.

A further risk relates to the position with individual services. The Council is, we understand, considering the purchase of bespoke systems for its Social Services functions. If these systems and the processes surrounding their implementation provide an impediment, or are perceived as so doing, against the partner to drive through efficiencies and service improvements then it will be difficult to get a commitment to them. Social Services is the Council's second biggest service area and one where there are significant opportunities for improvement. It would, consequently, be unfortunate to block the potential for their achievement or commitment to that achievement as a consequence of a major systems decision taken outside the context of an overall improvement programme.

Summary

Advantages	Disadvantages
Access to resources and skill sets of partner(s) with respect to all of the requirements of the Council for ICT and wider change and provides an effective "end to end" approach to change Allows the partner to be incentivised through risk and reward arrangements linked to overall performance Enables investment from the private sector to be attracted and recovered over time	Commitment to one partnership with associated risks The need to take account of the commercial requirements of the partner(s)

This is an option with some considerable merit. It brings the skills necessary to achieve the change that the Council desires and provides the ability to spread the cost and include effective risk and reward approaches. The market needs, however, an approach that enables it to make a commercial return and to have the level of control that reduces the extent of their risk or perceived risk.

Major Projects Partner
Option Summary

For this option the Council would engage a partner to progress the major projects that it has in the pipeline and to assist it with the major organisational change that is required. In all respects it is the same as the previous option with the ICT service aspects removed.

The Fit To The Council's Requirements

This provides a potential route to the majority of the outcomes that the Council requires. The major difficulties that arise come from the possible disengagement between the ICT work being carried out and the major transformational projects that are envisaged as being the core of this work. The transformational work will place considerable demands on ICT (in addition to the rest of the organisation). These demands may not be met and the partner will be concerned that this may be the case with potential difficulties in establishing and applying the risk and reward arrangements as responsibilities for success are more widely spread than in the joint ICT and Major Projects option.

Potential partners are, basically, risk averse and will be more so in the absence of ICT control and will, consequently, require safeguards that mitigate against the type of partnership the Council will require to achieve service transformation. This may be capable of being addressed through a joint Partnership Board but there is a danger that issues will remain. There are also issues with regard to funding in that there will be two sets of arrangements in place which may not be as commercially attractive as one.

The other issue that has to be considered is the amount of procurement activity that this would involve the Council in. If another option providing the ICT service elements also needs a procurement exercise there will be additional costs and organisational management time required to undertake both projects.

The Market For The Services

There is a considerable market for these services. A number of the major consultancies would be interested in undertaking such an arrangement. However, if the project does not involve the provision of the core ICT many of the other providers such as Capita may be less keen.

The Experience Of Other Organisations

We are not aware of many projects that fall into this category. Capita's project with Bolton is one case in point. That deal commenced with the delivery of their vision for CRM - contact centre and one stop shops. Capita are now working alongside them on the implementation of new back office systems through an ERP solution, together with associated re-engineering, which is designed to improve services and drive out efficiency benefits. In essence this is a consultancy contract and, indeed, is handled through Capita's consultancy arm. While, it has some of the features that the Council is seeking and seems to be working satisfactorily it does not have the depth and scale that is mooted by this project. The other examples are broadly the same as for the ICT and Major Projects options though these, of course, include the ICT aspects.

Risks

The risks associated with this option include:

- That there will be limited interest from the companies with the appropriate skills and resources;
- The scope for real partnership may be limited by the lack of control that the partner envisages that they have;
- The potential effects of split responsibilities and accountability;
- Funding opportunities may be compromised; and
- ICT failure to deliver or friction with partner.

Summary

Advantages	Disadvantages
Brings in the change management and business process reengineering skill sets that are required	Does not bring the "end to end" ICT transformation that the Council needs Without control of ICT many potential partners will not enter into incentivised risk and reward arrangements Difficulties in making the partners accountable due to split responsibilities

Our view is that this option would be suitable for a traditional large project but not for an ICT enabled business transformation. It is questionable whether HITS in its current state could adequately support this option. Additionally, it seems less than desirable to place the additional ICT support required anywhere else than with the major partner engaged to work with the Council to achieve the necessary organisational changes. Our view is that this option represents a high risk strategy.

ICT Outsource

Option Summary

This option essentially means outsourcing the Council's ICT provision to one external company.

The Fit To The Council's Requirements

This option is one that has the potential to bring in the ICT resources that the Council requires. In many ways it has all the benefits of the Mixed Economy option. However, it is likely to bring further benefits in terms of increased economies of scale from the supplier and a clearer focus and less fragmentation for and in the delivery of the services. Additionally, it will be possible to spread the costs of the investment in developing the ICT infrastructure over the length of the partnership. Whether that can be matched to savings generated by the Council or the partner incentivised on these is very doubtful.

Against this option is the fact that the Council has commenced the process of improving its ICT services. The investment that is currently being made has not yet fully borne fruit and it may not be an appropriate time to give that away to the market. However, the major disadvantage to this option is that it does not actually address the Council's core need, which is to progress the major projects such as First Contact. This option has a purely ICT focus and will not bring in the additional skills and resources that a project such as First Contact and the associated organisational work actually requires.

The Market For The Services

There is a very well established market for these services. There are a range of companies who would be keen to provide these services to the Council. A number of them are keen to provide these services in isolation – ITNet, Steria and Northgate amongst them. Others would be keen but would see it primarily as a starting position that put them in pole position for the wider work that was to follow.

The major area of concern with regard to this option is not the market's attitude to it but its attitude to the other work if such an outsource was completed. Many of the potential suppliers see ICT as a commercial basis upon which they can "hang" their proposals for major organisational change. Where ICT was already outsourced they would be concerned additionally with regard to the lack of control they would have over what they consider to be a key building block in the major projects. It also has to be realised that another competitor being in place could be a disincentive for them bidding for further work. However, in that regard that has not been the experience of another London Borough that is currently tendering its call and contact centre services.

The Experience Of Other Organisations

The experience of other organisations with this type of arrangement has generally been satisfactory. The Councils we have spoken to or of whom we have experience and knowledge are broadly satisfied with the services they receive. There are areas of concern in certain authorities. However, much of these surround the raising of expectations with regard to service standards without concomitant raises in the level of resources available. Our discussions with other Councils has shown that often the wider ability of the major ICT companies to recruit and retain staff has been useful in addressing staffing issues that had plagued the authorities previously. It is also clear that effective partnership arrangements are necessary if these are to work. This extends, at a very practical level, to having change control procedures that are not overly bureaucratic, particularly with regard to minor items.

Risks

The major risk associated with this option is the possible knock on effect it will have on other projects. Other risks associated with this option emanate from the current position in the authority with respect to ICT. In particular:

- ICT performance measures are not yet fully developed;
- SLAs are not fully developed;
- The ICT strategy is not confirmed; and
- The HITS management team and its core competencies are not fully developed.

The above does not mean that the service cannot be outsourced it just makes it more risky.

Summary

Advantages	Disadvantages
Brings in ICT resources that the Council needs Would potentially enable external investment in ICT	Does not address the wider business change requirements of the Council Potential for losing an "intelligent client" function

This option has a number of things to commend it. At the current time we do not believe that it meets the core requirements of the Council. We also believe that it could compromise to at least some extent the other work that the Council needs to do.

Strategic Partnership

Option Summary

This option is one whereby the Council engages with a partner who delivers a range of services for the Council. The range of services usually includes the majority of support services including Finance, Property Services and HR and often includes contact or call centres as part of the package. The general approach is to package as many services in to the partnership in order to maximise the deal size. These are targeted at a variety of objectives including:

- Economic development through the creation of Business Centres;
- Investment in ICT and buildings;

- The creation of savings; and
- Organisational culture change.

The Fit To The Council's Requirements

There is no doubt that this type of partnership can include all of the ICT investment and organisational transformation activities that are required. It can include all of the features of the ICT and Major Projects option. It will also provide an effective route to the investment that the authority requires. This would constitute a very large deal indeed and would enable the partner to potentially become more open to incentivisation with respect to performance outcomes – as there is the opportunity to spread risk.

The partner in this option will be running a range of actual Council services in addition to the ICT, change management and business process reengineering work that they will be undertaking across the full range of the Council's services. This position gives rise to some concerns. It places the partner in a position where their core commercial consideration is likely to be to run effectively the direct services for which they are responsible. This may, potentially, take the external partner's focus away from working to improve performance across the full range of the Council's activities, including in the major services of Education and Social Services.

Selecting this option will mean that the Council will be heavily reliant on one partner for a considerable amount of its activity. The organisational shock of the transfer of such a large chunk of activity to another partner should also not be underestimated. We are unsure if the Council is in a position where it is ready to carry out or commit to such a major transfer of services.

The ODPM is developing the concept of Incremental Partnerships. In this an authority can enter into a package for a relatively limited set of services with a partner but with an agreement to consider (but not necessarily a total commitment to carry out) the incremental transfer of a further range of services to the partner over time. This may be one way to address this issue and would mean framing the OJEC Notice in a relatively widely scope way.

The Market For The Services

There is an active market for these partnerships with a number of players keen to engage. These are centred on the large outsourcers such as Capita, Liberata, HBS and BT. A recent entrant onto the list is Bertelsmann offshoot arvato from Germany who are currently bidding in the East Riding of Yorkshire.

Though there will be considerable interest, it is likely that some of the players who would bid for ICT and Major Projects would not tender for this type of contract. Companies such as Steria and ITNet are not in this market and would tend to bid with a Management Consultancy partner to deliver the change programme in some of the other options. This would restrict the range and type of potential partners.

It should also be recognised that even the big outsourcing companies have limited capacity as to the number of these partnerships they undertake. One has admitted privately to us that they have difficulty in "swallowing" more than one per annum.

The Experience Of Other Organisations

The experience of other organisations with these partnerships is mixed. As yet none have been terminated by the client as a consequence of contract failure. This makes it a little difficult getting candid feedback from authorities who are still trying to sustain good working relationships with their chosen partner. Up to a point that is because there is so much invested in these partnerships, including in physical assets, that it is extremely difficult to unpick them.

The experience of many authorities has been that much has been achieved. The rate of change has been astonishing in some examples. Lincolnshire has had 23 legacy systems changed in a relatively short period for instance. This has not in any instance been achieved without pain. In some instances there has been considerable pain and there has had to be a lot of work from both parties to keep the partnership broadly on track. One Council representative expressed to us that they felt that they had not shared sufficiently the Council's strategic aims with the partner and that they possibly should not be

surprised that the partner's actions had not been targeted to them as well as they might have hoped. In one instance in the North West there is much publicity as to the partnership but the progress in service delivery seems to have been less impressive.

In summary, the experience of authorities has been mixed. In the circumstances where these partnerships have been very ambitious that is probably no surprise.

Risks

There are a number of significant risks attached to this option. These are magnified by the huge commitment entering into such a partnership would mean. It is very difficult to withdraw from a partnership such as this. The risks include all of those that attach to the ICT and Major Projects option plus the added risk of failure in key support services and a major risk that the partnership will become overly focused on these services rather than the wider delivery of services across the Council

Summary

Our view is that this option has many attractions. We are unconvinced, however, that the Council is in a position whereby it is ready for such a partnership. We are also unconvinced that the transfer of a large number of staff will do other than complicate matters and take attention from the core aim of service transformation. An option would be to frame the procurement in such a way that selected aspects of service delivery could be transferred to the partner over time and as appropriate.

Advantages	Disadvantages
Access to resources and skill sets of partner(s) with respect to all of the requirements of the Council for ICT and wider change and provides an effective "end to end" approach to change Allows the partner to be incentivised through risk and reward arrangements linked to overall performance Large "deal size" enables investment from the private sector to be attracted and recovered over time	Involves the complexity and time requirements of a large scale outsource of functions and staff to the private sector Involves outsourcing services that the Council may not want to Commits the Council in a very large way to one partnership with associated risks Possibility of the partner focusing too much on the services they are directly responsible for

Affordability

As part of our work we have not been able to carry out financial appraisals of the various options. Essentially, the costs will be entirely dependant on the projects and work that the Council commissions through the partnership(s). Thee may be economies of scale in the larger partnerships but we believe that this may, while significant, not be a defining element of the cost decisions. However, there are aspects of the different types of model that while not necessarily having an effect on the overall cost can affect its affordability.

The other two elements of affordability relate to:

- Funding the capital costs; and
- Sharing the risk.

We deal with each of these below.

Funding Capital Costs

The programmes that the Council is considering will have considerable capital and revenue cost implications. A large element of the projects should have a substantial “invest to save” aspect to them. By this we mean that expenditure in year 1 will result in net savings over time. That expenditure may be of a truly capital nature such as buildings, systems, and equipment. Other of that expenditure may be in change management and business processing costs that are just as much an investment but do not have a physical manifestation.

In these circumstances it may be appropriate for the Council to find a private sector partner that is willing to provide that investment “up front” and recover it over the life of the programmes. It is easier to achieve that in bigger deals where the level of turnover allows the partner the time and scale to recover that investment.

By undertaking this sort of arrangement the Council will be in a position whereby it can to at least some extent match the incurring of the costs to the accruing the savings. This can be used to limit and even eradicate a negative budgetary effect from the programme of investment.

Sharing The Risk

Another potential cost is that the savings or service improvements do not materialise. The Council will take actions to minimise and manage that risk. One aspect of that risk management will be to enter into a risk and reward arrangement with the partner. These arrangements effectively incentivise the partner to deliver the savings and service improvements.

These risk and reward arrangements have two effects. They reduce some of the cost risk to the Council in undertaking these programmes, though they do not remove them entirely, in that some of the fees chargeable by the partner will be forfeited. Additionally, these arrangements should reduce the risk of the savings or improvements being generated, as the partner should be very effectively focused on their achievement.

There is a downside to these arrangements. The other side of the risk coin is reward. If successful, partners will be entitled to payments greater than would be the case in a straightforward contract. If constructed appropriately, however, the Council is likely to be happy to make the payments since it will be enjoying the considerable benefits of successful projects.

To get a private sector partner to participate in a substantive risk and reward arrangement they will require the ability to manage the risk. That is likely to mean a reasonable amount of control and/or influence over the “end to end” project or programme. They will also need a deal size that makes the taking of the risk commercially viable. This will tend to mean that the more fragmented arrangements will limit the extent to which risk and reward arrangements can be put in place.

Summary

With the more comprehensive options it will be easier to put in place partnership arrangements that reduce the extent of the risk to the authority and match the incurring of costs to savings. If these are considered important features then it is likely to favour the ICT and Major Projects Partnership and Strategic Partnership options.

Conclusions and Recommendations

Conclusions

The Preferred Option

The conclusions emanating from our work are that all of the options under consideration provide potential benefits to the Council. Each will engage additional resources and skills that are required by the Council. Almost all will provide the improvements in the ICT Infrastructure, systems and services that are required.

The criteria identified for the Partnership in ICT were that the option selected should:

- Provide for the core ICT services
- Provide the large-scale change management and process reengineering skills and resources that the Council requires;
- Enable investment to be made in the Council's ICT infrastructure and systems;
- Enable investment to be made in the change management and process reengineering resources required; and
- Enable effective risk and reward arrangements.

Of the options considered only two meet all of the above criteria – the major Strategic Partnership and the ICT And Major Projects Partnership. The other options and combinations thereof them only partially satisfy the above criteria.

Of the two options that meet the criteria, we believe that the major Strategic Partnership goes further than the Council needs to satisfy the above criteria. Additionally, there are increased risks and procurement difficulties attached to this option that are not present with the ICT and Major Projects Partnership option. In particular, the Strategic Partnership will involve a large scale TUPE transfer of staff that will cause considerable disruption at a time when the Council has a considerable amount to do in other areas.

A Retained ICT Operation?

One further decision that has to be made is whether to retain the current in-house ICT operation or transfer that to the new partner. There are good reasons to retain an ICT client role in the Council, including with respect to maintaining an "intelligent client" function to protect the Council's position. It will also avoid issues surrounding the transfer of staff. However, it is likely that the private sector partner will prefer to take all of ICT but we do not believe, if handled carefully, that would necessarily be a block to a successful partnership. If the Council does decide to retain in-house ICT provision then it must ensure that it is clearly defined and appropriate.

Procurement Practice and Partnership Governance

There are further issues with regard to the overall shape of the procurement and the partnership. Key features should include:

- Flexibility to develop the partnership over time meaning a widely framed contract notice and the application of the Negotiated Procedure (as opposed to Scat);
- An open process that engages effectively with the potential partners and gives them flexibility in solution design;
- A relatively long partnership period, probably of at least ten years;
- The adoption of true partnership principles; and

- A realisation that the Council's senior managers and members will need to develop to adapt to the new ways of working in the partnership environment.

Recommendations

It is recommended that the Council:

- fulfil its requirements for improved ICT provision and radical changes in service delivery through the means of the ICT and Major Contracts option outlined in this report;
- enters into a partnership of ten years or more applying modern and flexible partnership procurement and governance arrangements; and
- gives consideration to the future role of any in-house ICT operation.