REPORT FOR: CABINET

Date of Meeting:	15 July 2010
Subject:	IT Service Delivery
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett, Corporate Director Of Finance
	Carol Cutler, Director of Business Transformation and Customer Services
	Mahesh Patel, Divisional Director, IT
Portfolio Holder:	Councillor Bill Stephenson, Leader and Portfolio Holder for Finance and Business Transformation
	Councillor Graham Henson, Portfolio Leader for Corporate Services
Exempt:	No except for appendix 1 which is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) on the grounds that it contains information relating to the financial or business affairs of a particular person
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – Part II
	Appendix 2:- Benefits to the (Internal) Customer
	Appendix 3:- Governance
	Appendix 4:- Client Team Structure

Section 1 – Summary and Recommendations

The Council has embarked on an ambitious transformation programme – Better Deal For Residents – that must be supported by a modern and reliable IT platform.

Following an options appraisal early in 2009, which included the option of an 'in house' solution, a Request for Proposal for IT service delivery was prepared and submitted to Capita; their response was received on 8 March and has now been evaluated.

The Proposal is more costly than expected. This reflects a lack of previous investment in the service and the need to deliver an integrated solution incorporating a wide range of benefits to the organisation. It is essential that the IT capability to underpin transformation is provisioned.

Recommendations:

- Agree 'in principle' that the IT service should be transferred to Capita, subject to further consultation with staff and trade unions.

- Delegate authority to the Corporate Director of Finance to agree the terms of the contract, in consultation with the appropriate portfolio holders, provided they are consistent with this report.

- To agree that the contract can be negotiated for up to a 10 year term, with an option to break the contract after 5 years to be coterminous with the end of the wider partnership with Capita in 2015, if the view is taken that it would be unwise to continue the IT service in isolation.

- Delegate authority to the Corporate Director of Finance to enter into the contract.

Reason: (For recommendation)

- Investment in IT is essential to underpin the Council's transformation programme.

- There is a strong case for investment in technology.

- The level of investment required must be sufficient to enable future transformation and the investment needs to be made sooner rather than later.

- Investment is required to achieve the Council's aim to have fewer buildings, fully supported by remote and mobile working.

- Modernised IT services will enable members and staff to be better supported and more productive.

- The Capita proposal is the preferred delivery model – the in-house solution is expected to have a similar cost, but carries significantly more risk and is likely to take longer to transition.

- There are substantial cashable benefits from investment in IT in terms of wider transformation, accommodation etc.

- There are substantial non cashable benefits for Members, staff and customers.

- If we proceed with Capita, they have demonstrated that every effort will be made to mitigate the impact on staff directly affected by the transfer of services

- An open tender would be costly to run, take a long time and delay service improvement, and the result would very probably be the same.

Section 2 – Report

The Case for Investment

1.   There has been a history of under-investment in technology in Harrow. In addition the revenue spend (staffing etc) is very low when viewed against other comparable boroughs.

2.   This lack of investment has resulted in:

- IT being a constraint, not an enabler, to future transformation.

- A fragmented infrastructure that affects reliability and is difficult to adapt to new technology.

- Inconsistent levels of system performance on different floors in Civic 1 and across the Council.

- An email system (Groupwise) that is difficult to support and integrate with other key systems.

- No strategic disaster recovery planning which has led to the Data Centre in Civic 1 being a single point of failure.

- A server estate in which 95% of the hardware has reached the end of its life and therefore operates at an increased risk of failure.

- Limited capacity to support remote and mobile working.

- Extremely limited support for hand held devices (eg Blackberrys).

3.   This lack of investment, coupled with the fragmented organisational structure, means that IT has a poor reputation in the organisation, despite the fact that the actual performance of the HITS team and some of the systems we use on a day to day basis (eg, helpdesk response and system up time) are good.

4. We have now reached a point where this lack of investment is hampering our transformation plans – the plans include further rolling out remote and mobile working, significantly reducing the office footprint, and centralising and streamlining functions such as customer contact and administration.

5. The investment needs to happen in the near future in order to allow other transformation business cases to proceed to timetable. Capita have advised us that they will prioritise implementation of their solution to align with wider transformation projects, most notably remote and mobile working.

6. The investment in IT will enable transformation and should be seen as an "invest to save" opportunity.

7. The investment will bring savings to a number of proposed transformation projects, including:

    - An estimated reduction in the cost of the Flexible and Remote working transformation project by £858k by investing in core technologies that are integral to the success of this project.

    - The current e-mail system, which if not replaced, will continue to prove costly to integrate. Investment in a more mainstream e-mail product (Microsoft Exchange) will reduce the cost of integration by as much as £45k per year.

8. Other benefits from investment include:

    - Significant savings in office accommodation enabled through flexible working in the short term by maximising the occupancy of the Civic Centre and in the longer term by moving to new premises. A move to a building which is half the footprint of the current Civic Centre will save some £1.2 Million.

    - Moving the current data centre off site will avoid the cost of rebuilding a new computer room in any new Civic Complex in the future. Capita has advised that the cost of building a Tier 2 data centre is typically in the region of £2.5m to £3m, however it is likely that the Council would opt for a more cost effective hosted data-centre at that time and investment for this and and associated Disaster Recovery arrangements will need to be made by the authority at the time.

9. Immediately realisable benefits include:

    - Investment in refreshed hardware; refreshed network; extended hours of availability; self service password reset; and single system sign on, will all generate productivity savings throughout the Council. Capita believe it is reasonable to expect that productivity would increase by 15 to 30 minutes per user per day. Across 2,500 users (average cost £90 per day) and 180 working days a year this productivity gain can be valued at £1.3m per annum.
    It should be noted that productivity gains realised will not be a cashable benefit.

    - Currently people are allocated to a specific desk where "hard wired" IT services are provided. As a result there is a cost for any inserts, moves, additions or changes (IMACs) to desktops or laptops, and for updating information when people move to a different organisational department. This cost is c£100,000 per annum and is not in the baseline figure. With the flexibility that Capita's solution brings there will be fewer additional charges for IMACs.

- External provision would provide a service that is ITIL compliant and is best practice for service management within the IT industry. Currently the Council's operation does not conform to ITIL best practices - if an in-house model was adopted the Council would have to seek to achieve ITIL standards. Following ITIL brings downstream operational benefits.

10. The other non-cashable benefits are:

   - Improved staff motivation and performance through access to modern technology and remote and mobile working.

   - New staff will find it easier to use the systems such as email as they are more likely to have used Microsoft products with previous employers.

   - IT will become an enabler for business improvement in the future

11. Councillors will have full remote and mobile working capability.

12. The value to residents in outsourcing the service, and with particular regard to the Capita proposal, are:

   - Operating systems on which they depend for delivery of services will be faster, more reliable and up to date. In addition the location of IT servers off the current Civic Centre site will immediately result in greater security in terms of Disaster Recovery and Business Continuity for all users of Council services;

   - The mobile and flexible working project is underpinned by the infrastructure and capacity that will be delivered by this new service. It will allow officers to work at partner, residents and business premises. This will ensure that services are delivered more at the convenience of residents rather than as determined by Council buildings and office locations;

   - Systems will become more integrated, minimising the need for multiple entry of details for different Council services, and ultimately offering the prospect of a single view of a customer's interaction with the Council. This will support future developments for a single assessment of circumstances for all services, and avoid the need for residents to tell multiple parts of the Council of a change in their situation;

   - Proposals to improve the telephony within Access Harrow will support the expansion and performance of the Council's main channel of contact with residents.

The Preferred Delivery Model

13. There are two options to address this lack of investment – the Capita proposal or development of an in-house solution to the full specification (set out in the request for proposal).

14. The options appraisal carried out by PWC in 2009 clearly showed that an outsourcing arrangement was the best option.

15. The Capita proposal and the in-house solution both offer a comprehensive and integrated solution which includes:

Deliverable (LBH-Anywhere in blue)	Baseline	In-House	Capita
IT Structure	Existing	Restructured	Outsourced
Supports Transformation / BD4R	✓ (limited)	✓	✓
Facilitates the Council's BC Plan	✓	✓	✓
Facilitates IT Disaster Recovery	✓	✓	✓
Civic Data Centre Decommissioned	✗	✗	✓
Remote Data Centre	✓	✓	✓
Microsoft Exchange Email (Groupwise Replacement)	✗	✓	✓
BlackBerry/Smartphone Integration	✗	✓	✓
Microsoft Active Directory (Novell Replacement)	✗	✓	✓
Flexible Working Facilitated	✓	✓	✓
Mobile Working Facilitated	✓	✓	✓
Server Refresh	✓ (limited)	✓	✓
Desktop/Thin Client Refresh	✓ (limited)	✓	✓
Laptop Refresh	✗	✓	✓
Enhanced Backup/Archiving	✗	✓	✓
Full GC Compliance in price	✗	✗	✗
ITIL Service Management	✗	✓ (limited)	✓
Test Environment	✗	✓	✓
Access Harrow Contract Centre Upgrade	✗	✓	✓
Improved Resilience	✗	✓	✓

The main differences between the in-house solution and Capita's proposal are:

- Fully off-site data centre that will enable a seamless transfer to a new Civic building.

- Subject to evaluation, a new contact centre solution from a market-leading vendor that will enable Access Harrow to enhance its back office processes.

16. The Council project team have explored with Capita the opportunity to scale back this solution to reduce the cost but have concluded that the package is the best solution and that to extract elements would damage its integrity. Furthermore, Capita will guarantee this integrated package but do not consider that a scaled back model would be viable.

17. Analysis of the proposal versus an in-house solution shows that both options will cost a similar amount and that the solution represents value for money.

18. The significant difference between the two models is risk transfer. If the service is delivered by Capita they will bear the full risk for:

- Fixed price certainty – transition, service and performance are underwritten.

- Delivering the IT service in line with the performance standards in the contract

- Delivering investment and improvements in line with the timetable agreed in the contract

- Providing the necessary staffing – in terms of quantity and quality

- Ensuring that the IT change programme aligns with wider transformation

- Ensuring that the necessary IT support for business cases (eg, HARP3) is available

- Ensuring that, once business cases are complete, the day to day support for new systems is provided appropriately

- Providing relationship management as per the contract

19. Whilst the in-house team have done their best to estimate the cost and timeframe to develop a solution that delivers the full scope of the RfP, there are significant risks in terms of:

- Inability to underwrite the solution design.

- Capability to deliver and meet the timetable for transformation – lack of experience in delivering large complex projects.

- The reliance on third-parties – including Capita – to assist with the transition and deliver elements of the overall solution.

- The time needed to find the right people to redress the balance away from agency staff and the ability to retain key individuals.

- Recruiting and retaining the right staff will be difficult as the IT market is moving at a greater pace out of the recession than other professions.

- Significant training and re-development will be required to transition staff who have worked in the same environment for many years to adopt a new mode of IT service delivery.

- Time taken to mobilise an internal service may delay the transformation programme.

- Flexibility to respond to changes in size of the organisation.

- The team is resourced for steady state IT service operation so it is difficult to scale up to cope with peak demand of projects / programmes.

- The in-house team can only draw upon short term resources from the commercial contract market, whereas Capita can draw upon other delivery teams / accounts.

- There is not the same level of relationships with key suppliers and so the in-house team are less able to exploit any supplier benefits.

- There is less ready access to innovation to improve the service than with Capita.

20. Benefits delivered to the organisation from a contracted arrangement are conditional upon a controlled, formalised engagement with the IT service. As a consequence, unplanned requests will be difficult to accommodate or come at additional cost.

21. Capita have been on site for 5 years already, and will work in partnership with the Council to make sure they are aware of critical issues. They will be well placed to minimise disruption in the organisation due to their experience with other clients, and will support the policy changes required in Harrow to work in a modern and efficiency way.

22. Capita currently support some of our core business applications (such as SAP and Civica) and as they continue to transform the business through technology led solutions, the use of Capita as a single provider results in a joined approach to service delivery.

23. The Capita proposal is based on a flexible pricing model which means that if the council changes its staffing levels and the number of sites during transformation, the cost of the

IT service will reduce. It also means that the service can be readily scaled up if we integrate with partner organisations.

24. Capita bring fresh ideas and innovation. If we proceed with Capita we will ensure that during the negotiation period and the contract term itself, benefits that can be derived from system and application rationalisation will be captured and accrue to the Council or at least be shared with the Council.

25. Investing with Capita will transform IT operations through the use of a more future proofed service which will be cheaper than if investment is completed on an incremental basis.

26. Directorates will incur reduced costs for new user set up, moves etc (subject to negotiation of a rate card).

27. Capita's service delivery model requires less staff to be located at Harrow and will see a reduction in the number of on-site permanent staff from 30 to 12 in the first two years, and to 7 after transition is complete. This will deliver cashable savings of up to £115k per year [based on the current £5k per person overhead cost].

28. The Capita proposal delivers a solution that enables transformation to be delivered in a shorter period of time.

29. There are benefits from accessing Capita's extensive experience of IT service delivery and development across a range of sectors.

30. Environmental benefits from using Capita are:

- The move of the Data Centre to a shared environment and the consolidation of equipment into a modern virtual technology will reduce the power and energy requirements the authority needs for operating its IT infrastructure.

- Within Capita's proposal they have calculated a potential carbon footprint reduction of 30.9%. and this will positively contribute to the Council's "Use of Resources" target

31. Capita have stated that transformation projects will benefit by outsourcing to them through:

- A more joined-up approach to delivering complex technical solutions required to under-write the key flexible and remote working project.

- Improvements to the Assess and Decide transformation project in a number of ways; The current end of life contact centre telephony system used by Access Harrow is complex and would require a great deal of configuration work which has a high level of risk attached to it. Running this project in parallel with the live system might also prove to be difficult.

- An indication that in its experience the 149 different software applications or modules currently in use could be reduced through de-duplication, rationalisation / aggregation etc, to around 100 business applications. This would generate effort and cost savings. Capita have stated that this exercise would be completed within 18 months. Capita believes that savings in effort terms of 1-2 FTEs could be realised saving potentially £425,000 during the lifetime of a 10yr contract. [£50,000 saving per annum * 8.5 years].

- An already ITIL conformant service model that is included in the solution that would cost the existing HITS team in the region of £150,000 to implement.

- The impact of Capita's proposal provides an opportunity to avoid significant accommodation costs through the use of the area currently occupied by HITS. This area is currently under consideration to provide space for Access Harrow as proposed under the Customer Contact/Assess and Decide Project. This would avoid the construction of an extension to Civic 1, or a reduction in the numbers of staff migrating into Civic 1 from other buildings.

32. The mobile and flexible working business case that Capita are developing will ensure that the benefits from this new technology are fully realised, particularly in the rationalisation of buildings. Cashable savings will be measured and monitored through the established Programme Management methodology and Governance within the Business Transformation Partnership.

33. In conclusion, the Capita proposal is the preferred delivery model.

Applications Support

34. It has been agreed that the devolved application support function will be delivered by Capita as an option to their core proposal. The budget (or in some cases a percentage of the budget) associated with the devolved application support roles will transfer to Capita. This principle has been agreed by all of the Directorates.

35. The impact of managing this element of the service on Capita's proposal is still being clarified but they have indicated that the cost of the core proposal may increase and this additional budget will need to be factored in the overall cost/benefit analysis.

36. The table below shows the areas that are affected and the discussions to date:

Area	% of Role	FTE	Comments
Shared Services	40%	0.4	Agreed Budget Transfer
Place Shaping	50%	1	Where a significant proportion of an individual's work activity is identified as transferring, that person has the right to transfer under TUPE. How the individual is affected In this instant this can only be determined at the detailed discussion stage. In the case of a TUPE transfer, Capita may need to assume 100% of the role's activity
Parking	20%	0.2	Agreed Budget Transfer
Libraries	50%	1	Where a significant proportion of an individual's work activity is identified as transferring, that person has the right to transfer under TUPE. How the individual is affected In this instant this can only be determined at the detailed discussion stage. In the case of a TUPE transfer, Capita may need to assume 100% of the role's activity
Housing	30%	0.3	Agreed Budget Transfer, subject to further clarification on the detail of which activities transfer
Adults (& Housing)	0%	0	Further assessment identified to no activity or members of the HOST team are in scope for transfer
Web-GIS (Access Harrow)	100%	1	Agreed TUPE Transfer
Children's Services	50%	0.5	Agreed Budget Transfer

37. It should be noted that applications support relates to supporting the Technical Infrastructure that delivers the councils business applications. It does not go to the extent of fixing functionality issues with current business systems (e.g. Framework-i, Anite SAP integration). This responsibility will remain with the business support teams and super users within the Directorates to continue working with their preferred suppliers and Capita.

38. The owner of each business system within the individual Directorates will continue to hold responsibility for the strategic direction of the application (e.g. Myfanwy Barrett for SAP), but this will be supported by a Capita Relationship Manager who will be able to bring specific experience and thought leadership from the wider Capita group. There will also be a new internal team who will provide support for local IT strategies and the development of service specifications. They will also provide assurance on any proposals put forward by a third party to ensure they are technically robust, are in line with the councils ICT strategy and provide good value for money.

Value for Money Assessment (Appendix 1)

39. The detailed VFM assessment is attached at Appendix 1. The assessment compares the current plans with the Capita bid and in house delivery of the RFP (in other words an enhanced in house service).

40. A full tender, based on the RFP, has been ruled out as an option because:
- A tender would be costly to run and take a long time
- The result would very probably be the same (ie we would still have to invest significantly more in IT to get the solutions and service we want)
- Despite the soft market testing results, providers may well be reluctant to bid in practice given that they would not be able to secure the transformation aspects of the work and would have to jostle with Capita for position once appointed
- It would be onerous for the Council to manage two different external providers and would inevitably result in disputes (although of course there could be some aspects of health competition)
- It would be extremely demoralising for staff to go through a further protracted process
- It would be too destabilising for the wider transformation programme

41.	The VFM assessment shows that the Capita option is the best solution and that, at net present value, the cost of delivering the RFP in house would be more than the cost of the bid, given the additional risk.

42.	The project team have considered whether there is a realistic 4th option, namely to deliver only part of the RFP, or to defer some elements until they are absolutely necessary, for instance to fit in with the likely date of a new civic centre being completed. This could mean building an extended remote working environment (Citrix) but retaining the existing computer room on site, and bearing the DR risk for longer.

43.	To date Capita have indicated that this is the optimum solution for Harrow and any scaling back is not viable. A detailed in-house solution delivering the services specified in the RfP has been developed and this is a possible fallback position.

5 Years or 10 Years?

44.	The VFM assessment (Appendix 1) suggest that a 10 year deal is better than a 5 year deal. However, this needs to be considered alongside the potential risk of committing to a longer term agreement:

- Technology develops extremely rapidly and things will be very different in 5 years time
- The wider Capita contract has a break, with an option to extend for a further 5 years, in 2015
- By outsourcing to Capita, we move to a rental model for all core IT infrastructure and these assets will no longer be owned by the council. This effectively means that we have strategically chosen to externalise the IT operation and if in 5 years we want to move to a new provider then tender process will have to be conducted. It is unlikely that the rebuilding a new internal infrastructure will be cost beneficial
- We should seek to agree that the contract can be negotiated up to a 10 year term, with an option to break the contract after 5 years.

FAQs – Benefits to the Customer (Appendix 2)

45.   A schedule of FAQs is attached at Appendix 2. The questions are based on the survey conducted in 2009, plus more recent CSB/CLG comments/questions.

46.   As well as a fundamental change in back office IT infrastructure, the service model will be delivered using an approved best practice ITIL model. This will ensure that systems are proactively managed and maintained and will culminate into a reliable and consistent level of service for all customers.

47.   The Helpdesk will be transferred to Capita's call centre in Derby. This service desk will own the management of any incident from the initial call right through to resolution and therefore eliminate the customer from being re-directed from team to team to manage their problem, and ultimately delivering a professional customer experience.

48.   The role of Members requires them to work in a flexible manner. The ability to provide each of the Members with a blackberry type device will significantly enhance their ability to send and receive corporate e-mail throughout the day.

Governance and Client Side Arrangements (Appendices 3 and 4)

49.   The existing partnership with Capita is governed through a series of regular meetings designed to monitor ongoing service delivery, project progress and requests for change. Capita's existing SAP and Civica IT service delivery is already represented in a number of these meetings. We do not envisage any major change to these meetings other than to widen the scope, where necessary, to include input from all the relevant IT delivery teams. Capita believes that the following partnership governance meetings will require a widened scope:

- Programme board (monthly – chaired by LBH Director or Business Transformation) This takes input from a number of other board meetings and will in future include from Capita on proposed transformation projects; projects in progress; IT service delivery; and requests for change. The Programme Board will also discuss any service credits that may have been calculated by the Finance board.

- Operational review board (monthly) This reviews the performance of Capita's service delivery including IT delivery linked to SAP, Civica, CRM and BW. This meeting will in future review all the IT services provided to Harrow by Capita under the proposed outsource.   Service quality will be measured quality through a formal scorecard completed by Harrow.

- ERP board (monthly – chaired by Divisional Direct Finance & Procurement and Divisional Director Partnership and Performance): Capita already provides input to this board related to projects and SAP IT service delivery. In future this input will be widened to include on all aspects of IT service delivery.

- Change board (fortnightly): this currently reviews/discusses proposed changes for projects and will in future require input on those changes that will have an IT impact.

- Request for Change Board (weekly): this currently reviews/discusses proposed changes that impact Harrow's SAP solution. Again this will require reflect all IT provision not just SAP.

- IT CAB (weekly): This meeting is currently chaired by HITS to assess and approve technical changes within the IT infrastructure. Capita already attends this meeting in relation to its existing IT service provision. In future this meeting would become an internal Capita meeting covering all aspects of IT service delivery. The Service Delivery Manager would feed back to Harrow any issues arising from this meeting that would impact the council or its service.

50. Overall responsibility for the IT outsourcing relationship (Capita side) will be with Ian Kirby, Capita Partnership Director. Capita's Programme Director will continue to be responsible for reporting on all programme and project activities. This includes all transition projects linked to the proposed IT outsource. Capita's Operational Director will continue to be responsible for reporting all service delivery activities, including IT business as usual activities

51. Diagrams showing the structures are attached at Appendix 3.

52. There will be a new small strategic internal team created who will be responsible for the planning and implementation of initiatives and procedures to ensure that IT services used by the organisation, and the technology which support them, deliver value, are efficient in the use of resources, and are compliant with all relevant legislation and regulations. This team will have overall responsibility for the development of the organisation's IT strategy, technology architecture and information management and will ensure that effective controls are in place for internal and external audit

53. The existing information management function will be bought together with the strategic IT function, subject to formal consultation and 2 additional senior professional / management posts will be created, which we envisage will be graded at SPM3/4, subject to job evaluation. At high level these posts will be responsible for:

- IT Security & Compliance:- Responsible for the management of, and provision of expert advice on the selection, design, justification, implementation and operation of security controls and management strategies to maintain the confidentiality, availability, accountability and relevant compliance of IT systems.
- Enterprise Architecture:- Responsible for the creation and review of technology architecture and systems capability strategy which meets the strategic requirements of the business and identifies the business benefits of alternative strategies.

54. The proposed client team structure is attached at Appendix 4.

55. The relationship between the Divisional Director Technology, the nominated lead within Capita for IT delivery, and the contract/performance manager will be critical for this structure to work effectively. They will meet weekly to review progress and issues. In addition the Divisional Director Technology will join the boards outlined above as appropriate to ensure that he has full visibility of the service.

Financial Implications

56.   A detailed value for money assessment carried out with support from PWC, which compared the current plans with the Capita bid and in house delivery of the specification (in other words an enhanced in house service), supported the conclusion that an outsource to Capita is the best solution, largely due to the benefits of risk transfer. See Appendix 1.

57.   CSB members are acutely aware of the scale of the financial challenges that the Council faces in the medium to long term and the current status of the transformation programme.

58.   The total Harrow budget (revenue and capital) over 5 years is £24.5m and the bid price is £27m. There is a gap of £2.5m, before allowing for the client team, contingency/change control budget, and redundancy costs. To offset this, there are reduced capital financing costs to take into account, as the Capita proposal involves more revenue spend and less capital expenditure than the Harrow plan.

59.   The tables below show the Harrow current budget and the Capita bid over 5 years, split between revenue and capital expenditure.

Harrow Budget

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	£3.4m	£3.4m	£3.4m	£3.5m	£3.5m	£17.2m
Capital	£3.0m	£1.0m	£1.2m	£1.1m	£1.0m	£7.3m
Total						£24.5m

Capita Bid

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	£4.0m	£4.5m	£4.6m	£4.5m	£4.4m	£22.0m
Capital	£4.2m	£0.3m	£0.5m			£5.0m
Total						£27.0m

60.   The table below analyses the difference between the Harrow revenue budget and the bid over the same 5 year period, taking into account the cost of the client team and redundancies, and the impact on capital financing costs.

Net Position

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue difference	£0.6m	£1.1m	£1.2m	£1.0m	£0.9m	£4.8m
Client Team	£0.3m	£0.3m	£0.3m	£0.3m	£0.3m	£1.5m
Redundancy costs	£0.5m					£0.5m
Cost/saving on capital financing costs	nil	£0.3m	£0.1m	(£0.1m)	(£0.4m)	(£0.1m)
Net additional cost	**£1.4m**	**£1.7m**	**£1.6m**	**£1.2m**	**£0.8m**	**£6.7m**
Saving on financing years 6-10						(£2.7m)
Final additional cost						£4.0m

Notes:

a)   Years will probably run from 1 October to 30 September.

b)   It is assumed that the contingency/change control budget will be capital, but in practice it may need to be split between capital and revenue.

c)   The total saving on capital financing costs is £2.8m over 10 years as they have a long tail.

61.   If we proceed with Capita's 5 year proposal, the revenue spend on IT services will increase by £1.4m in year 1. Thereafter the figures vary year to year, and the full benefit of reduced capital financing costs is not secured until year 10. The net additional cost over 5 years is £6.7m. The benefit of lower capital spend accrues mainly in years 6-10 and equates to £2.7m, giving a final additional cost of £4m.

62.   A longer term deal would secure an improved price. It should also be noted that the Capita bid involves flexible pricing – this means that if staff numbers of the number of sites reduce over the term of the contract the price will reduce accordingly. It would be difficult to mirror this approach internally.

63.   This is a very significant issue as it adds to future funding gaps and increases the pressure to find savings elsewhere. However, as noted earlier in the report, there are significant benefits to the wider transformation programme which cannot be ignored and this should be regarded as an invest to save proposal.

64.   Directorates may see some reductions in charges for things like new user set up and moves and changes, but these will be subject to the rate card negotiated with Capita in due course.

65.   It should be noted that the 2010-11 budget for the Finance Directorate included an assumed saving of £100k from this project which will not now be delivered. Alternative savings are being sought to try and fill this gap in the current year.

66.   If we proceed with the Capita proposal, the total additional cost in 2010-11 will be £0.95m. Any severance or redundancy costs that arise will be met from the employment provision held on the balance sheet. The additional service costs of £450k will be met from the earmarked reserve for Building Schools for the Future which is no longer required.

67.   The total additional cost in 2011-12 will be £1.3m and this will be incorporated into the MTFS and will directly increase the funding gap.

Legal Implications

68.   The Capita Agreement is designed to allow service to build incrementally through the provision by Capita of a range of Future Projects within the scope and objectives of the Partnership.

69.   The Partnership objectives are wide and include business transformation and process re-engineering. The OJEU notice covers a wide range of services and clearly includes IT and related services. The Council can therefore use Capita to provide IT delivery services as a Future Project under the Capita Agreement.

70.   The Partnership scope is related to the services that can be provided and to the size of the procurement and so the Council must take account of the value of the IT service delivery as against the value of the Initial Services and total estimated value set out in the OJEU of £100 million. The aggregation of the Initial Services and Future Projects should not materially exceed the £100 million as stated in the OJEU notice.

71.   Any Future Projects (whether by way of a transfer of service or one-off implementation) can be brought within the partnership using the governance structures set out in the Agreement. So it's important that the council has followed and continues to follow these procedures in procuring the IT delivery services from Capita.

72.   The Partnership contract with Capita is for an initial period of 10 years from October 2005 and includes an option to extend the contract for up to 5 years from the end of the initial period in October 2015, so a 10 year contract with a 5 year break option is permissible.

Environmental Impact

73.   The move of the Data Centre to a shared environment and the consolidation of equipment into a modern virtual technology will reduce power and energy requirements that the authority will has for operating its IT infrastructure.

74.   In addition to this, we will be looking to ensure that our technology strategy is underpinned by low energy hardware and infrastructure solutions and that these are directly linked to the carbon reduction targets of the council.

75.   Within Capita's proposal they have calculated a potential carbon footprint reduction of 30.9%. This is delivered through the use of their data centres and a refresh to more efficient computer hardware. This will contribute to the overall carbon reduction target for the Council of 4% per year, as set out in the Climate Change Strategy..

Risk Management Implications

Risk included on Directorate risk register?   Yes
Separate risk register in place?   No

Mitigating the Impact on Staff

76.   Capita will develop an internal communication's plan to keep service users up to date and informed as we effect the changes and improvements delivered through the transformation journey.

77.   Capita's proposal involves a TUPE transfer of Council employees to Capita. HITS has an establishment of 50 posts and there are currently 30 permanent employees who would be transferred to Capita. Capita have indicated that they will not require all the transferred staff to work at Harrow, consequently potentially up to 19 of the transferred staff would be at risk of redundancy.

78.   Capita have advised that over 70% of its current 36,000 staff have been transferred into the business through TUPE or acquisition. Retention of staff and their well being is a key focus for the company. In 2009 Capita's Local Government Services business had a staff retention rate of 93%. In 2009 the average staff turnover rate within Capita's IT Services was below 1%. This low level of turnover has been maintained to date in 2010. Capita has confirmed that its HR policies are intended to provide the assistance that each employee requires to ensure that the process is smooth and straightforward and sensitive to the needs of the individual.

79.   Capita have indicated that they will be looking to retain 12 of the transferred staff in the first year and 7 in subsequent years on site at Harrow. It is Capita's intention that the application support team will remain on site in Harrow in order to maintain the close working relationship between them and the Council users. Over time Capita are keen to see how the application support team might be able to offer support services to other Capita customers; taking the same approach that Capita Learning and Development have adopted at Southampton.

80.   It should be noted that Capita's staffing model is factored into the proposal price and Harrow would not make a saving after the first year of operation.

81.   There will potentially also be 3 roles transferred from devolved applications support teams within the Council, but these can only be confirmed at the detailed stage if Capita can demonstrate to the business that they will take over 100% of the activity of the identified roles.

82.   The Council will work with Capita to take all reasonable measures to avoid redundancies, which will be seen as the last resort.

83.   The potential for redundancies will be mitigated by:

- Offering all affected staff a voluntary severance scheme in the run up to the transfer
- Actively seeking redeployment opportunities for affected staff within the Council and through partner organisations running up to the transfer
- Providing support to staff who are searching for jobs elsewhere in advance of the transfer
- Supporting early retirement requests
- Ensuring that Capita seek redeployment opportunities across their IT division wherever possible:

  Capita operates a redeployment policy and process to minimise any potential loss of staff. Should redeployment of staff be necessary Capita has confirmed that it would look at redeployment opportunities within its IT Services division wherever possible. Capita have advised that it is already business planning to fill 180 new vacancies in the next 12 months. Based on data this year between 20% and 25% of these vacancies are likely to be the London area. Typically in excess of 50% of these vacancies require technical skills in the infrastructure, network and desktop services domains

- Working with Capita to offer relocation and retraining support package as appropriate
- Facilitating access to outplacement support for employees at risk of redundancy.

Equalities implications

Was an Equality Impact Assessment carried out? Yes
If yes, summarise findings, any adverse impact and proposed actions to mitigate / remove these below:

84.   An initial equalities impact assessment has been completed in order to establish if there is a potential or real differential impact resulting from outsourcing IT. It shows that whilst outsourcing would result in individual redundancies, and therefore a detrimental effect to individuals in the workforce, no single group would suffer particular loss or bear any disproportionate impact. It can be concluded from analysis of the workforce profile that the impact of IT outsourcing will be minimal, and that this is justified on the basis of the improvement to services.

An update of the equalities impact assessment will be carried out to establish the impact of the inclusion of staff engaged in support of Applications which are considered to come within the scope of the Project.

Corporate Priorities

85.   The Council has embarked on an ambitious transformation programme – Better Deal For Residents – that must be supported by a modern and reliable IT platform.

86.   Investment in IT is essential to underpin the Council's transformation programme.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett   ✓   Chief Financial Officer

Date: 6 July 2010

Name: Hugh Peart   ✓   Monitoring Officer

Date: 8 July 2010

Section 4 – Performance Officer Clearance

Name: Tom Whiting   ✓   Assistant Chief Executive

Date: 8 July 2010

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards   ✓   Divisional Director
                                     (Environmental Services)
Date: 8 July 2010

Section 6 - Contact Details and Background Papers

Contact: Myfanwy Barrett, Corporate Director of Finance 020 8420 9269

Background Papers: None

Call-In Waived by the Chairman of Overview and Scrutiny Committee

(for completion by Democratic Services staff only)
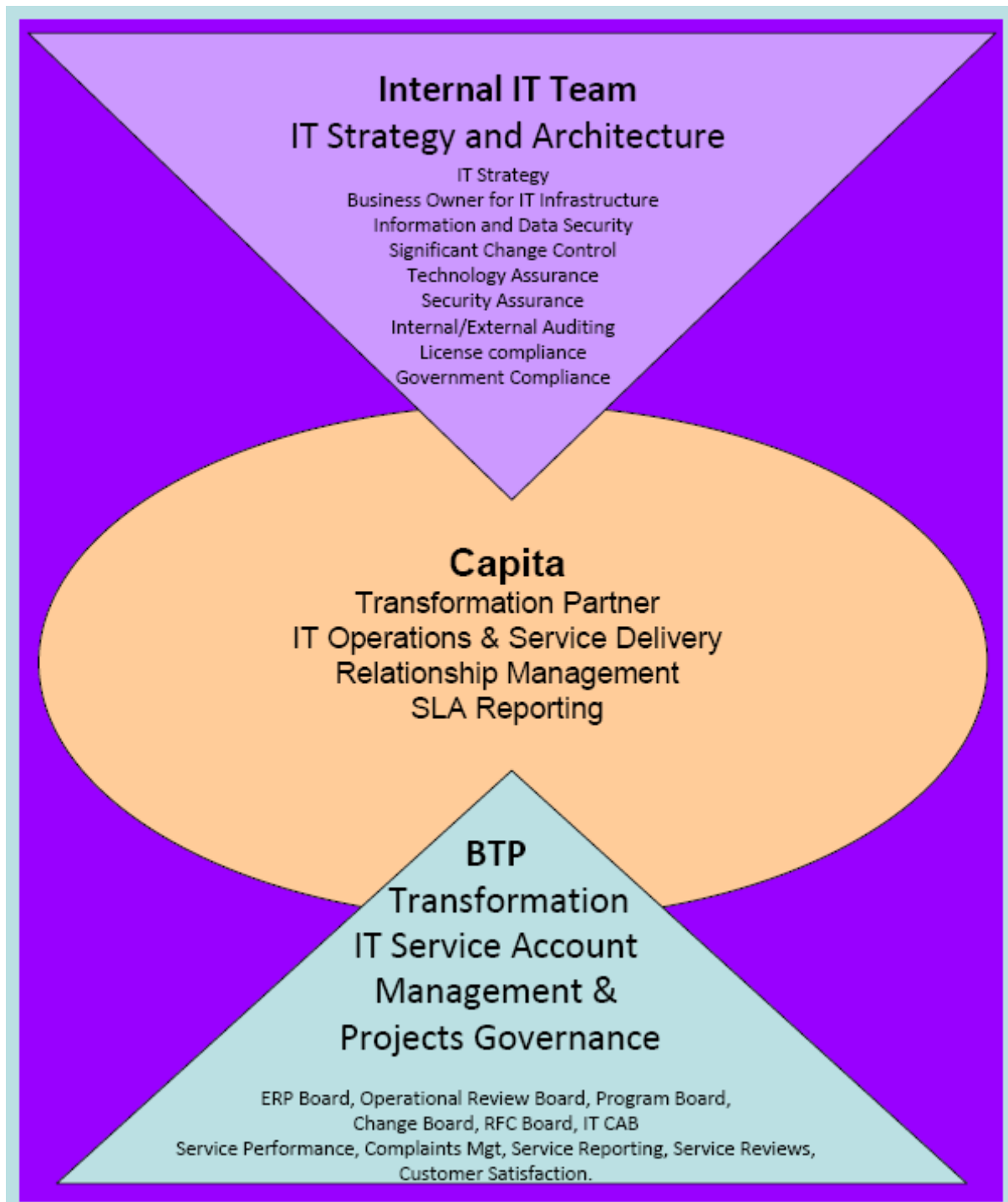
NOT APPLICABLE

* Delete as appropriate

Appendix 2 – Benefits to the Customer

A questionnaire was issued to CLG members to complete at the meeting held on 31 March 2010. The questions generated, plus those raised by CSB have been summarised into 5 themes as detailed below:
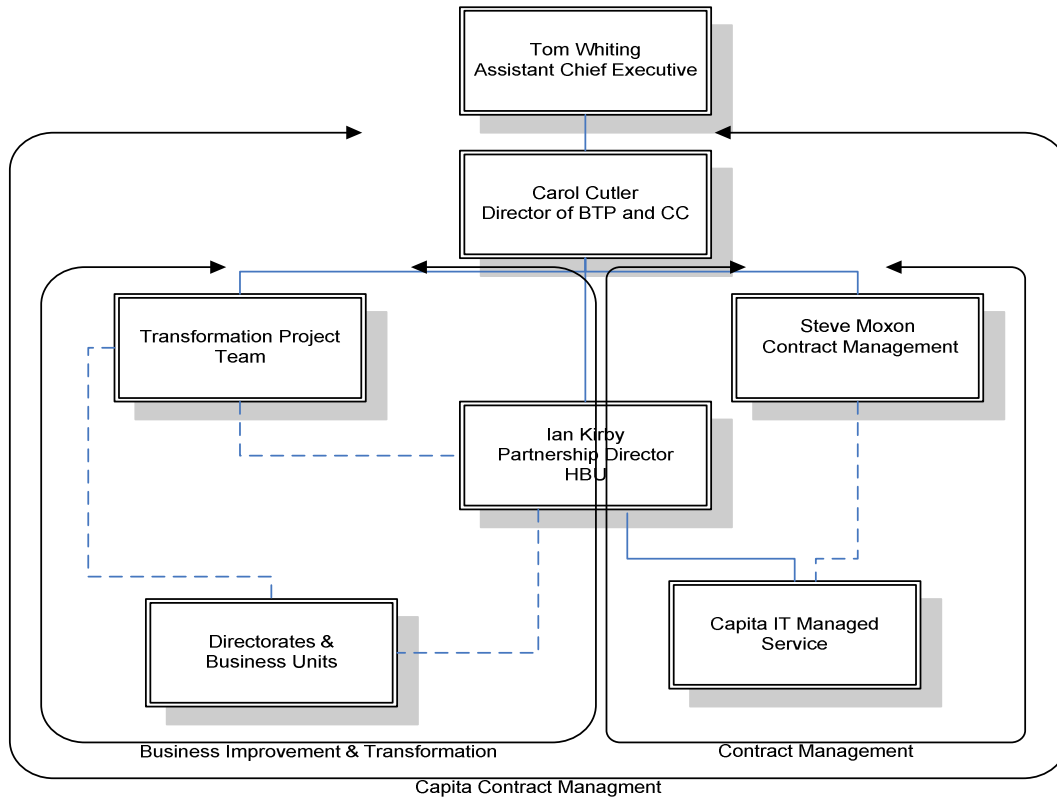
Theme 1 Ability to work remotely using a variety of mobile devices	• The new technology platform is fully designed around mobility. This architecture will allow employees to work from home, other council office locations, partner offices and remotely out in the field. • All staff who have an e-mail account will have the ability to log into there e-mail from any internet browser. • As a minimum e-mail and a calendar functionality will be delivered to handheld devices but the new infrastructure provides a foundation for other applications to delivered smart phones in the future. • The network environment will be upgraded and provide a solid foundation to deliver video conferencing effectively at a later date. • A Service Catalogue will be developed that will offer a number to allow staff to personalise their IT requirements to their service need. • The new environment will be a key enabler to the remote and flexible working project.
Theme 2 Performance of the network and e-mail in particular	• The existing Novell Groupwise solution will be replaced with a Capita Managed Email service that will provide the mainstream Microsoft Exchange and Outlook email system. • Capita will pro-actively provide end-to-end monitoring of the network and network connected devices to understand where the problem lies and will work to remove issues and prevent problems occurring. • Capita will be replacing all of the servers that are currently in our Data Centre and moving them to a new virtualised infrastructure within a Tier 2 data centre in West Malling. • A number of service level agreements were specified in the RfP and many of these are improvements on what is delivered today. • Capita will provide a Customer Relationship function which means each directorate will have access to a named person with whom they will be able to discuss matters where the current service level does not meet their business needs or where the current service level does not apparently have a high enough business priority associated with it.
Theme 3 IT Security	• Capita will be standardising Harrow onto a thin client solution where all the information is protected in physically secure Capita data centres that are managed to higher than ISO27001 standards (operating above the more strict credit card payment standard of PCI-DSS standard). • Harrow mobile devices such as laptops and smartphones will also be encrypted to protect Harrow information should a device be misplaced. • A new ICT Security Management function will be created as part of the retained team within the council and they will introduce policies such as ISO27001 and BS25999-1 frameworks. This function will also work with the business to improve the business security in line with increasing ICT security.
Theme 4 IT Advise and Relationship Management	• The existing Capita HBU function already provides an IT advisory function and it has a number people, technical and business orientated, who are able to provide IT advice. • In addition to this a new Customer Relationship function will be created within HBU and there will be a named Relationship Manager who will get to know each of the Directorates and provide further strategic advice through his\her access to 2500+ IT professionals who work across the Capita group. The Relationship Manager will be able to bring them into Harrow to share experiences and outline potential innovations but it should be noted that the Authority will not be able to use them on projects or programmes without additional charge using the standard rate card that was agreed as part of the original Incremental Partnership Agreement. • There will be a small retained internal team who will own corporate ICT strategy and provide support to local ICT strategies. A consultancy budget will also be retained to ensure that specialist independent advice can be bought in when it is needed.
Theme 5 Performance of Business Applications	• The technology refresh will replace all servers every 5 years. If the performance is not due to lack of computing power in the servers but the business application the business support teams will be made aware of the performance issues. • Where these applications are owned by Harrow (e.g Framework-i. MVM, Anite,) and outside of the Capita contact, Capita intend to engage with each business application owner to ask what level of application monitoring & performance tuning is needed to ensure that the configuration is optimal for the usage patterns in Harrow. This may involve database, application server or web server tuning.

Appendix 3 – Governance

Internal IT Team
IT Strategy and Architecture

IT Strategy
Business Owner for IT Infrastructure
Information and Data Security
Significant Change Control
Technology Assurance
Security Assurance
Internal/External Auditing
License compliance
Government Compliance

Capita
Transformation Partner
IT Operations & Service Delivery
Relationship Management
SLA Reporting

BTP
Transformation
IT Service Account
Management &
Projects Governance

ERP Board, Operational Review Board, Program Board,
Change Board, RFC Board, IT CAB
Service Performance, Complaints Mgt, Service Reporting, Service Reviews,
Customer Satisfaction.

Appendix 4 – Client Team Structure

Business Transformation & Contract Management

Tom Whiting
Assistant Chief Executive

Carol Cutler
Director of BTP and CC

Transformation Project
Team

Steve Moxon
Contract Management

Ian Kirby
Partnership Director
HBU

Directorates &
Business Units

Capita IT Managed
Service

Business Improvement & Transformation

Contract Management

Capita Contract Managment

IT Strategy, Architecture & Assurance

Myfanwy Barret
Corporate Director of
Finance

Mahesh Patel
Strategy & Architecture
X 1 post

ICT Compliance &
Security
X 1 post

Information Management
& Architecture
X 2 posts

Enterprise Technology
& Assuance
X 1 post

IT Professional Services

Position already funded by
the Council