

REPORT FOR: **CABINET**

Date of Meeting:	15 December 2010
Subject:	IT Service
Key Decision:	No
Responsible Officer:	Myfanwy Barrett, Corporate Director of Finance
Portfolio Holder:	Councillor Bill Stephenson, Leader and Portfolio Holder for Finance and Business Transformation Councillor Graham Henson, Portfolio Holder for Performance, Customer Services and Corporate Services
Exempt:	No
Decision subject to Call-in:	No
Enclosures:	None

Section 1 – Summary and Recommendations

This report confirms to Cabinet that the IT service was transferred to Capita on Wednesday 24 November 2010

Recommendations: That Cabinet notes that the transfer of the IT service has been effected.

Reason: (For recommendation) To ensure that Cabinet is aware of the final stages of the project.

Section 2 – Report

Background

1. Historically there has been under-investment in technology in Harrow. In addition the revenue spend (staffing and other day to day running costs) has been at very low levels when viewed against other comparable boroughs.
2. This lack of investment resulted in:
 - IT being a constraint, not an enabler, to future transformation.
 - A fragmented infrastructure that affected reliability and was 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 was difficult to support and integrate with other key systems.
 - No strategic disaster recovery planning which led to the Data Centre in Civic 1 being a single point of failure.
 - A server estate in which 95% of the hardware had reached the end of its life and therefore operated at an increased risk of failure.
 - Limited capacity to support remote and mobile working.
 - Extremely limited support for hand held devices (eg Blackberrys).
3. The lack of investment, coupled with the fragmented organisational structure, meant that IT had a poor reputation in the organisation, despite the fact that the actual performance of the HITS team and some of the systems in use on a day to day basis (eg, helpdesk response and system up time) was good.
4. The situation reached a point where the lack of investment was hampering the Council's transformation plans – the plans included further rolling out of remote and mobile working, significantly reducing the office footprint, and centralising and streamlining functions such as customer contact and administration.
5. The investment was therefore urgently required to support service delivery and to allow transformation business cases to proceed to timetable.

Action Taken

6. In order to address this situation, during the last two years the Council has produced a new IT strategy and carried out a major review of its IT service delivery arrangements.

7. An options appraisal was carried out early in 2009. At this point it was agreed that the best way forward was to transfer the service to the Council's transformation partner, Capita, as a new project under the existing contract. A detailed specification for the service was developed and Capita were then invited to submit a bid. The bid was received on 1 March 2010 and subsequently a very thorough evaluation was conducted.
8. On 15 July Cabinet agreed in principle to transfer the IT service to Capita. Following the Cabinet decision, officers progressed four strands of work:
 - Consultation with staff and trade unions
 - Due diligence and contract negotiations with Capita
 - Development of the transition plan
 - Development of the payment model
9. External support was obtained from Eversheds (legal advice) and PWC (financial advice). Both external advisers have confirmed that the Council has secured a good deal.
10. All four areas of work were completed and the deed of variation was approved and sealed on 23 November 2010. The transfer took effect on 24 November 2010.

Legal Position

11. As noted above the Council already has a partnership contract with Capita which runs until September 2015 with an option to extend for a further five years. The IT service is being added to the existing contract by means of a deed of variation. This:
 - Adds further provisions to the original agreement
 - Amends certain provisions specifically in relation to ICT Services
 - Updates HR arrangements generally to reflect legislative changes and
 - The original agreement applies in relation to both the Initial Services and the ICT Variation Services (except as amended)
12. There are very detailed schedules in the deed of variation which include the service to be provided, the transition plan, the performance standards and the pricing model.

Deliverables and transition

13. The key deliverables in the contract are:
 - Like for like service from day one – improving over the first 18 months as new technology is rolled out
 - IT industry service standards including a new helpdesk
 - Ability to roll out hand held devices
 - Change from Groupwise to Exchange email
 - Implementation of a programme to deliver business continuity and support mobile and flexible working
 - Full disaster recovery for all business systems
 - Improved security
 - Upgraded telephony
 - Refresh of equipment over a 10 year period

- Improved network and improved infrastructure – leading to improved performance

14. The improvements will be delivered over an 18 month period and milestones are set out in the contract.

Duration of Contract

15. The deed of variation is for a term of 10 years with an option to break after 5 years. There is no cost to the Council to take up this option.

Price and Payment arrangements

16. The negotiations have resulted in a final price of £49.5m over 10 years. This is a slight improvement on the original bid.¹

17. The contract schedule includes a full cost model with a detailed line by line breakdown of costs. PWC have undertaken detailed work to “drill down” into particular elements and ensure they are robust. This work helped to achieve the reduction in the price outlined above.

18. A detailed review of the treatment of the cost of the contract in accounting terms as either capital or revenue expenditure has been carried out.

19. The price is flexible on a unit price basis allowing the Council to benefit from reduced costs as the workforce reduces or respond to new responsibilities. The unit price elements also apply to a reduction of sites or applications supported.

20. The payment structure is a mix of periodic service payments (revenue) and milestone payments (capital) linked to delivery of key improvements.

21. The contract is on an “open book” basis with audit rights.

Performance Management

22. The contract includes a business focused Service Level Agreement (SLA) which sets out expected service levels, including system availability, fault fixing, helpdesk response, telephony and implementation of moves and changes.

23. Failure to meet SLA targets leads to monthly reductions in the price paid. Repeated failure leads to an increased rate of service credit.

Staffing Arrangements

24. There were 29 Council staff in scope for the TUPE transfer to Capita. The Council took steps to ensure that staff and Unions were kept informed of developments throughout the project and that staff were offered as many options as possible so that they could make an informed decision on their future to suit their personal circumstances. This included making the

¹ Within the price there are some payments which Capita, rather than the Council, will now make to suppliers and there will be a corresponding reduction in Council costs

Council's voluntary severance scheme (VSS) available to staff in IT both before and after the point of transfer.

25. Of the 29 staff in scope 11 opted for VSS (some of whom will work for Capita for 2 months to support the transfer) and 3 were appointed to the Council's client team. The remaining 15 staff transferred to Capita. Capita will need 19 staff for the first year, 15 for the 2nd year and 13 thereafter – this is more than initially thought, leading to minimal redundancies. The contract includes a cap on any redundancy liability. The Council reviewed Capita's plans for welcoming the staff and was satisfied that they were appropriate.
26. A measures letter has been issued and this confirms that all relevant terms and conditions will be transferred to Capita. Capita will be an admitted body to the Council's pension scheme.

Financial Implications

27. The financial implications of the transfer were set out in detail in the reports to Cabinet in July and September and full Council in October.

Performance Issues

28. The performance implications of the transfer were set out in detail in the reports to Cabinet in July and September and full Council in October.

Environmental Impact

29. The environmental implications of the transfer were set out in detail in the reports to Cabinet in July and September and full Council in October.

Risk Management Implications

30. The risk management implications of the transfer were set out in detail in the reports to Cabinet in July and September and full Council in October.

Equalities implications

31. The equalities implications of the transfer were set out in detail in the reports to Cabinet in July and September and full Council in October.

Corporate Priorities

32. The IT service supports the whole Council.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett Chief Financial Officer

Date: 23 November 2010

Name: Hugh Peart Monitoring Officer

Date: 24 November 2010

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap Divisional Director
Partnership,
Development and
Performance

Date: 23 November 2010

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards Divisional Director
(Environmental
Services)

Date: 23 November 2010

Section 6 - Contact Details and Background Papers

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

Background Papers: NONE

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

NOT APPLICABLE

[Decisions for noting are not
subject to call-in]