

Report to:	CABINET
Report of:	Chief Operating Officer
Date of Decision:	27 June 2017
SUBJECT:	Delivery of Savings against Service Birmingham ICT Contract
Key Decision: Yes	Relevant Forward Plan Ref: 003701/2017
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Member(s):	Councillor Ian Ward – Deputy Leader
Relevant O&S Chairman:	Councillor Mohammed Aikhlaq Chair of Corporate Resources and Governance O&S Committee
Wards affected:	All

1. Purpose of report:
<p>1.1 To advise Cabinet of the outcome of negotiations with Capita to deliver the budgeted savings for 2017/8 to 2020/21 under the Service Delivery Agreement (SDA) for ICT services with Service Birmingham Limited (SB).</p> <p>1.2 To advise Cabinet of the intention to end the Joint Venture arrangement (JV) with Capita for Service Birmingham Ltd and outline a new contractual framework.</p> <p>1.3 To advise Cabinet that the duration of a revised SDA with Capita will remain the same as the current contract term which ends 31 March 2021.</p> <p>1.4 To advise that a further report will be brought to Cabinet before December 2017 and after the Council has completed its due diligence. This report will seek to agree and approve the final terms of the revised contractual arrangements for the delivery of ICT & Digital services.</p> <p>1.5 The accompanying private report contains commercially confidential information.</p>

2. Decision(s) recommended:
2.1 That Cabinet notes the report.

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3. Consultation
<p>Internal</p> <p>Senior officers in Finance, Legal and Procurement have been involved in the discussions with Capita and in the preparation of this report.</p> <p>The Cabinet Member for Value for Money and Efficiency, the Chair of Corporate Resources Overview and Scrutiny Committee, the Deputy Leader of the Conservative Party, the Leader</p>

of the Liberal Democratic Party and the Council Directors of SB have been consulted regarding the contents of this report and support it progressing to an executive decision.

Informal communication with Council staff currently seconded to SB has been undertaken by SB. Subject to the outcome of the due diligence exercise further engagement and potentially formal consultation will form part of the next phase of work.

The JV / Partnership board has been informed and consulted.

External

Socitm Advisory has provided commercial negotiation support, technical assurance and assisted with the financial due diligence.

Gowling WLG are externally appointed legal advisors who have reviewed the current SB contract and its various schedules in support of the development of the various negotiation options and have advised on the process, issues and risks around dissolving the JV contract.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

The Council's objectives and priorities as detailed in the Vision and Forward Plan approved by Cabinet on the 16 May 2017 will be supported by the adoption of this proposal which is consistent with the ICT & Digital Strategy (2016 - 2021) approved by Cabinet in October 2016.

4.2 Financial Implications

The negotiated offer has been reviewed and compared to the current savings within the Council's Long Term Financial Plan (LTFP).

Existing savings within the LTFP, set prior to 2017/18 have actions in place for achievement by 2021, the end date for the Service Birmingham contract. Capita have stated that these actions and plans will remain in place and to that extent the new offer should not impact on the delivery of these earlier ICT savings, identified prior to 2017/18.

Table 1 shows the savings to be delivered through the contract negotiation as set out within the Financial Plan 2017+ : The delivery profile for the new savings offer from Capita is known for 2017/18; however it is not yet set out for subsequent years.

Table 1 - ICT & Digital Savings – LTFS 2017 - 2018

Description	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
NEW SAVING Reduction in ICT spend	10.02	9.65	11.77	11.77	43.21

It is likely that some of the savings initiatives proposed by Capita will give rise to investment and/or costs being incurred by the council. Each proposal will proceed to the applicable decision forum within the Council's improved governance process as a business case, demonstrating that it contributes to the net savings plan. Any funding required to deliver the saving will be considered as part of this decision process. It is worth noting that Capita have

stated that the savings target of £43.21M is net of costs of both Capita and the Council.

A budget of £2M to meet the costs of negotiating the contract including due diligence on the Capita proposal and implementation of them in 2017/18 was approved by Cabinet on 21 March 2017 as part of the Capital and Treasury Management Monitoring report. To date £1.3M of this has been committed and it remains sufficient to conclude the negotiations, undertake due diligence and fund the drawing up of contractual documents.

Further details are provided in the private report.

4.3 Legal Implications

The Council are under a duty under Section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The implementation of the Savings Plan will deliver economy. The ending of the Council's involvement in the Joint Venture (subject to the findings of the due diligence) will be implemented only if it demonstrates best value to the Council for the remaining term of the SDA.

4.4 Public Sector Equality Duty

In October 2016 Birmingham City Council Cabinet approved the ICT & Digital Strategy for the period 2016 -2021. The work to implement the strategy has two major programmes:

1. An Investment Programme - implementing replacement and new, enabling ICT & Digital assets in line with the strategy and in support of the Council's new Business Architecture.
2. An ICT Transition Programme to take BCC up to and beyond the end of the Service Birmingham partnership with Capita and the potential ending of the Joint Venture (Service Birmingham Ltd).

During the development of the strategy the Equality Analysis was completed. This can be found in Appendix 1 of this report.

A further more detailed Equality Analysis will be completed as part of the due diligence work.

5. Relevant background / chronology of key events:

The shape and role of the Council is changing and the ICT& Digital service needs to support and enable this transformation, whilst continuing to deliver a cost effective and responsive 'day-to-day' ICT& Digital service.

The ICT & Digital Strategy (2016 - 2021) sets out the future role and approach and was approved at Cabinet in October 2016. The strategy describes the need for investment and to transition to a new ICT Operating Model to enable the Council to deliver the savings associated with the service between 2017 and 2021. In January 2017 the Council formed the 'SB Transition' programme and initiated contract negotiations with Capita, with key objectives to:

- Save £10.02M revenue from the Core ICT Contract cost in 2017-2018 and deliver revenue

savings totalling £43M in total across 4 years as set out in the Financial Plan 2017+

- Reach a negotiated position with Service Birmingham that;
 - Allows the Council moving forward to gradually take back full control of its ICT & Digital from Capita/Service Birmingham.
 - Allows the Council to deliver the ICT & Digital projects in a manner that represents value for money and meets the needs of the Directorates and the wider Council.
 - Gives the Council flexibility to deliver an ICT & Digital Service and future Operating Model that can flex as the wider Council transforms.
 - Gives the Council the right to go to the market as it selects solutions or implements new capability to test that it always getting real value for money.
 - Potentially allows the Council to select multiple suppliers, and in doing so avoid penalty charges.
 - Avoids extending the current contract for any further additional years.

Next Steps

An implementation plan has been prepared to deliver the actions required following approval of this Cabinet report which includes detailed legal, financial and HR due diligence of the offer leading to a new set of contractual arrangements which is expected to take the form of:

- Ending the Joint Venture arrangement
- Establishment of a Terms of Reference for the SB Transition Programme to implement the desired changes and mobilise the necessary programme structure, project governance and required resources.
- Amending the Service Delivery Agreement (SDA) to ensure any rights enshrined within the Joint Venture arrangement are not lost to the Council.
- Any workforce matters with regards to the progressed option will be fully considered and consulted upon
- External communication for the Council, Capita and supporting partners.
- The implementation of a new ICT & Digital future Operating Model based on a multi supplier Service Integration and Management (SIAM) model.

A further report will be brought to Cabinet before December 2017 and after the Council has completed its due diligence. This report will seek to agree and approve the final terms of the revised contractual arrangements for the delivery of ICT & Digital services.

ICT & Digital Governance

In order to support the realisation of the savings and to ensure that the Council continues to seek efficiencies and control over the ICT & Digital estate, there is a need to implement and mandate a more robust and centralised ICT & Digital Governance framework, the attributes of this framework will include:

- Strategic Alignment: Linking the Council and ICT & Digital services so they work together.
- Maintaining Control: Identifying business requirements correctly, choosing the right ICT solution, reusing what we have and working on a roadmap towards a

future design.

- Value Delivery: Making sure that the Council's ICT& Digital service delivers the benefits promised at the beginning of a project or investment.
- Resource Management: Manage resources more effectively, deploying resources on a demand driven basis.
- Risk Management: Instituting a formal risk framework that manages and reports risk
- Performance Measures: achieving business goals through coherent performance measures.

The new Governance Framework is detailed in Appendix 2 – Governance Framework.

6. Evaluation of alternative options

Refer to Private Report

7. Reasons for Decisions

To authorise the officers to enter into negotiations with Capita Local Government to agree Heads of Terms, a Deed of Variation to the Service Delivery Agreement to deliver the ICT savings for 2017/18 – 2020/ 2021 and the potential ending of the Councils shareholding in the Service Birmingham Ltd Joint Venture.

Signatures

Date

Chief Officer(s):
Angela Probert
Chief Operating Officer

Cabinet Member(s):
Cllr Ian Ward, Deputy Leader

List of Background Documents used to compile this Report:

1. Birmingham City Council Information & Communications Technology & Digital Strategy (2016 - 2021)
2. Birmingham City Council Strategic ICT & Digital Investment Programme (2016 - 2021)
3. Capital and Treasury Management Monitoring Quarter 3 report.

List of Appendices accompanying this Report :

1. Equality Impact Assessment
2. Council's new governance framework

Report Version	1.0	Dated	16 June 2017
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