

Cabinet

24 June 2013

Proposed ICT Services Collaboration between Durham and Sunderland



Report of Corporate Management Team Don McLure, Corporate Director Resources Councillor Jane Brown, Cabinet Portfolio Holder for Corporate Services

Purpose of the Report

- 1 To advise Cabinet of the strategic proposal to deliver a collaborative ICT service for Durham County Council and Sunderland Council from a single joint organisation in conjunction with a commercial partner.
- 2 To seek approval to develop a full business case for the proposal.

Background

- 3 The ICT managers of the North East LEP authorities meet regularly to discuss common issues as part of the North East ICT group (NEICT). Each authority is grappling with the same problems of reduced budget against a background of increasing ICT service demands and usage.
- 4 As part of these discussions a proposal was put forward to work more collaboratively and share service delivery across the region where practical, by each authority taking responsibility for the delivery of functions across all authorities rather than just their own. For example one authority might provide email services, another payroll services etc.
- 5 This proposal has been considered and developed further by Durham and Sunderland authorities with a view to the possible collaborative merging of the two ICT services.
- 6 The concept and practicalities of a collaborative merging of the two ICT services has been agreed in principle by the two Corporate Management Teams of both authorities.

What opportunities would this present?

- 7 Following several strategic meetings and workshops between the two ICT Management Teams, the benefits of a combined service approach would be:
 - (a) A significant reduction in overall cost, ensure sustainability and deliver better value for money ICT services in both authorities
 - (b) A retention of the necessary skills to support ICT across the authorities and the ability to respond to change to support transformation, maintain

operational performance levels and respond to new service requirements

- (c) Retained public sector ownership of their ICT by each authority.
- (d) Provide a common platform to support new models of public service delivery including future shared services between the participating councils
- (e) A common regional ICT infrastructure strategy, including networks and data centres
- (f) A review of how applications are licensed and supported across the councils with a view to driving down costs
- (g) Economies of scale in infrastructure provision not only for local public services but also for small businesses, mutuals, community groups and other emerging service delivery models

Existing ICT Business

- 8 Together, the two ICT Services have a turnover of between £35m and £40m per year, revenue budgets of around £18m per year and directly employ 400 ICT staff. Approximately 250 are directly employed in core ICT Services who would be affected by the proposed collaborative working service. The actual numbers will be verified as part of the business case.
- 9 There is a good synergy between the two ICT Services. Each provides similar functions to its respective authorities and both have specific areas in which it can demonstrate particular expertise.
- 10 Combined working groups have been set up to look at joint working in the areas of:
 - Providing ICT support to schools including remaining new capital schemes within the Building Schools for the Future programme (BSF);
 - 'digital inclusion';
 - business continuity planning (BCP);
 - server storage;
 - networks;
 - security;
 - European funding opportunities;
 - customer relationship management (CRM) and
 - ICT procurement.
- 11 As well as internal customers, the ICT Services' sections also provide services to external customers in the learning and children services (including

schools and academies), community services, regeneration and businesses, adults and social care, corporate services, housing, emergency services, the community and private sectors.

- 12 This leads to the possible additional benefits of following a combined model including:
- (a) Grow external relevant business income to help maintain jobs in the public sector
 - (b) Develop a single ICT organisation which attracts high ICT skills to the region
 - (c) Acts as a catalyst to develop ICT employment throughout the region built upon the joint ICT Services' cloud infrastructure and expertise.

Activities to be undertaken

- 13 A considerable amount of additional work would be required in order to prepare a full business case. This would include:
- (a) Defining the project fully with project management arrangements, work streams, defined stages, benefits realisation and project plans etc.
 - (b) Baseline the two services to get a true picture of the financial positions, assets, key technologies, skills etc.
 - (c) Consider people and culture issues and identify plans and processes to address these.
 - (d) Define the overall required outcomes of the combined ICT Services and the two authorities.
 - (e) Consider the options for future governance and business operating model.
 - (f) Define the role and requirements for an external commercial partner within the final organisation.
 - (g) Plan joint communications, consultation and engagement plan to prepare both organisations for this strategic change.
- 14 A possible grant is available through the Department for Communities and Local Government's Transformation Challenge Award to cover external assistance in developing the business case. The department is looking to provide support under a major multi-authority awards scheme, for radical innovations involving two or more local authorities combining their operations across all or a major part of their service delivery.
- 15 Subject to Cabinet approval, it is our intention to make an outline submission for funding ahead of the required deadline of 23 July 2013.

Key challenges

- 16 A combined delivery approach would highlight some key challenges in areas including: technology; leadership; governance; people; assets; processes; culture; customer; growth.
- 17 Both organisations will need to be fully committed to the strategic outcomes of the combined ICT Services and have the willingness and ability to deliver the necessary changes.
- 18 There is an existing mismatch between the size of the two organisations and governance arrangements will need to reflect this and allow decision making to be equitable, consistent and reflect the financial positions of both organisations.
- 19 The combined organisation would have an increase in the diversity of its customer base and there would undoubtedly be some customers that do not fit into the emerging business model. In addition, both parent authorities will need to put in place a robust and intelligent client function in place to ensure that each authority receives the service that it expects from its private sector partner.
- 20 Management of risk, existing liabilities and contract obligations will have to be handled sympathetically and decisions will be required over how support services to the combined organisation are provided such as HR and financial support.
- 21 The new arrangement would have to deliver the designated savings targets for both authorities and will need to demonstrate on-going value for money; future cost avoidance and improved returns on assets employed.
- 22 The collaborative service process of change has the potential to be disruptive and will require strong leadership, management and will demand a high availability of skills such as business analysis. All the change will need to be considered against a backdrop of maintaining a high quality delivery service to meet the 'business as usual' requirements of both authorities.
- 23 Consideration will also need to be given to the proper legal standing to ensure sustainability and avoid possible market challenge.

Key opportunities

- 24 A combined delivery approach will provide opportunities to deliver better quality and lower cost services. These include:
 - (a) Economies of scale leading to improved sustainability and overall cost reduction.
 - (b) A convergence in the strategic direction leading to technical synergies, better contingency and use of all resources as well as improved staff development.
 - (c) Improved and new capabilities through an expanded service catalogue and an increased reuse of existing work leading to an enhanced reputation.

- (d) A platform to deliver services in new and innovative ways to the emerging service delivery models, changing customer and market expectations.

Financial implications

- 25 Bringing the two ICT Services to work together in a more collaborative way will lead to a significant reduction in the overall cost of service provision.
- 26 In addition, by combining the trading strengths of both ICT Services there is a greater possibility of growing income for both Councils.
- 27 Detailed savings estimates will be made as part of the business case.

Current Governance Arrangements in Both Councils

- 28 Each Council has a governance process in place to manage the ICT Services. Each has its own management team, asset management process, quality model and project management framework.
- 29 Durham County Council has a Strategic ICT group that is responsible for the overall use of ICT within the authority which is supported by regular surgeries with ICT Services and its customers.
- 30 Sunderland Council has a network of ICT Relationship Managers working across the organisation and a central ICT 'Design Authority' which defines ICT solutions for the organisation.
- 31 The collaborative working proposal is to consider the options for governance mechanisms building on the recognised strengths of each organisation's approach.
- 32 Until the full governance model is determined a Project Governance Board will be jointly agreed.

Recommendations

- 33 Cabinet is requested to:
- (a) Authorise the management of the two ICT Services to develop a full business case to create a single ICT Service to cover both authorities and to bring a further report to Cabinet in October 2013.
 - (b) Support the general direction on the collaboration work so far and commit to the general direction of closer integration, leading to a joint communications plan.
 - (c) Approve the consideration of a submission of an outline application for funding from the Transformation Challenge Award.
 - (d) Agree to the appointment of an external project manager, using an existing procurement framework, to assist on the development of the business case.

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Appendix 1: Implications

Finance – The collaboration between the two services will deliver financial savings for both Councils. The forecasted sum to be saved will be finalised as part of the development of the full business case. Any saving generated will contribute to the council's Medium Term Financial Plan savings.

Staffing – The proposal is expected to have an effect on the combined numbers of people employed. Any implications will be addressed in the business case.

Risk - Implications will be addressed in the business case.

Equality and Diversity / Public Sector Equality Duty – An Equality Impact Assessment will be carried out by both authorities as part of the business case development.

Accommodation - Implications will be addressed in the business case.

Crime and Disorder - None

Human Rights - None

Consultation - Implications will be addressed in the business case.

Procurement - Implications will be addressed in the business case.

Disability Issues - None

Legal Implications - Implications will be addressed in the business case.