



**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources**

Report to:	<b>Executive</b>
Date:	<b>03 April 2024</b>
Subject:	<b>Future IT Service Delivery Model</b>
Decision Reference:	<b>I030272</b>
Key decision?	<b>Yes</b>

**Summary:**

The majority of our IT service delivery is currently provided by Serco. This contract is due to expire at the end of March 2026.

The Council's Executive approved an overall IT Service Delivery Model and sourcing approach on the 4th May 2022. Procurement activity was subsequently paused to give the Council time to assess options to rectify a number of risks and issues identified in the second half of 2022.

As a result of this assessment, changes have been made to the design of the original IT Service Delivery Model both in order to address the risks and issues that had been identified.

The purpose of this report is to provide an overview of this updated IT Service Delivery Model and the corresponding changes in the sourcing approach to enable the Council to make an informed decision about the best way forward for the future delivery of IT services. The report also seeks authorisation from the Executive to commence a procurement.

**Recommendation(s):**

That the Executive:

1. Approves the changes to the IT Service Delivery Model and sourcing approach as follows:
  - a. The procurement of a contract for the outsourcing of all operational IT services currently provided by the incumbent to a single external supplier.
  - b. The procurement of a contract for the outsourcing of Security Operations to an independent specialist external supplier.

- c. The procurement of a contract for the engagement of an external partner (“Flexible Delivery Partner”) to support the Council in delivering IT technical design and delivery.
2. Approves the carrying out of the necessary procurement processes to secure the services of the external suppliers and the Flexible Delivery Partner referred to in paragraph 1 above.
  3. Delegates to the Deputy Chief Executive and Executive Director - Resources, in consultation with the Executive Councillor for Highways, Transport and IT, the authority to take all necessary decisions and steps to progress the procurements referred to in recommendations 1a, 1b and 1c up to and including determination of the final form of the resultant contracts and award of those contracts.

<b>Alternatives Considered:</b>	
1.	Full outsource of all IT services to a single provider (prime provider model)
2.	Full insource of all IT services  Further details on other options considered are covered in paragraphs 33 to 36 of this paper.

**Reasons for Recommendation:**

To address the issues that were identified during the second half of 2022, particularly around recruitment and the readiness of the Council to manage operational IT services.

To keep operational IT services outsourced to maintain internal IT’s focus on adding value through change supported by a flexible delivery partner.

To address the need for a specialist supplier in IT security services where depth of knowledge, skills and expertise are essential to respond to the growing cyber-threat.

To minimise the complexity of transitioning to a new IT Service Delivery Model and therefore the overall risk to the Council.

**Background**

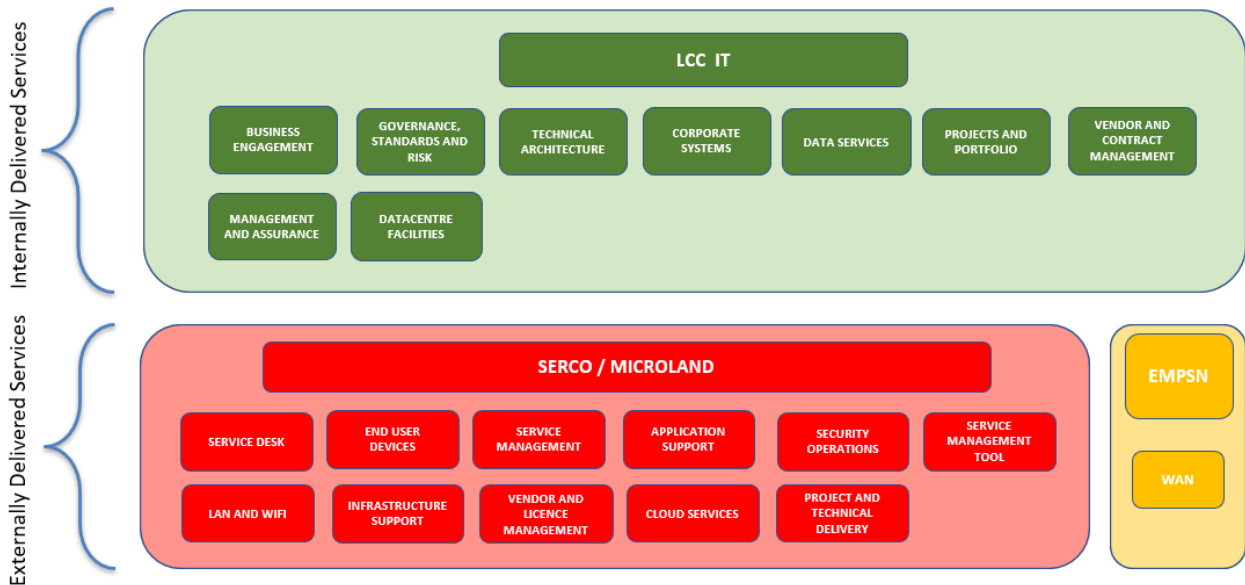
On the 4<sup>th</sup> May 2022 the Council’s Executive approved a future IT service delivery model and sourcing strategy to ensure continuity of IT services after the Serco contract end date. This model would have resulted in certain IT services moving in-house and the remaining services being outsourced to a number of external suppliers with the Council’s IT team managing and integrating the delivery of services.

1. Subsequent to this, a decision was made to pause procurement activities to allow time to assess a number of issues identified in the second half of 2022 and which are still evident. Issues identified included:
  - a. The ability for the Council to recruit and retain suitably skilled and experienced resources, particularly for certain technical and managerial roles which are key for the delivery of insourced services;
  - b. The ability and maturity of the Council to be able to effectively manage operational IT services and complex multi-vendor environments;
  - c. Inflationary pressures resulting in an increase in supplier prices and demand for higher salaries both of which presented greater risk to a multi-source delivery model, with many vendors to co-ordinate.
2. When the above issues were considered along with some of the complexities of transitioning to and delivering the previously agreed IT service delivery model, the view was that this presented too much overall risk to the Council and changes were necessary to the IT Service Delivery Model and sourcing approach. This is largely due to the current state of IT capability maturity, the significant backlog of deprecated systems, the difficulties of managing a wide range of suppliers, the changing picture of Cyber security and the need to respond to this.
3. There is a programme of work underway to improve the maturity of the IT organisation with the following developments to date:
  - i. A project prioritisation process has been implemented to manage the demand for business-led IT change
  - ii. A cyber-team has been established to focus on some of the immediate IT security risks
  - iii. Organisational changes are in-flight with the permanent Chief Information Officer and new Heads of Cyber Security, IT Project Delivery, and IT Strategy and Architecture due to the join the Council in April and May 2024.
4. Work will continue in this area, led by the new senior team, to ensure the IT team is ready to manage the future IT service delivery model.
5. In response to the risks outlined in paragraph 1, a number of IT sourcing principles have been developed:
  - a. Keep essential IT change and contract management skills in-house to work closely with business colleagues and to add value through IT change;
  - b. Keep operational IT services outsourced to maintain internal IT's focus on adding value through change;

- c. Use flexible resourcing partners with base minimum staffing, to supplement internal IT change teams.

**PROPOSED CHANGES TO THE IT SERVICE DELIVERY MODEL**

6. The current IT Service Delivery Model delivered by the Council and its primary IT suppliers is shown in the following infographic:



[Infographic 1 – Current IT Service Delivery Model]

7. We currently operate through an ‘IT prime provider’ model, with Serco providing the bulk of our IT service delivery. These services include:

- a. **End User Support Services** – these include the provision of laptops / desktops and smartphones to colleagues and secure access to the applications and services they need to do their jobs – from Excel to Business World, from the intranet to the internet. This service area also provides the tools for colleagues to communicate and collaborate with others such as email, Teams telephony and Sharepoint.

Colleagues can get support if they are experiencing IT issues and can order the IT products and services they need. Support can be accessed through the IT Service Desk but also through the Tech Bar for those colleagues based on or near the Lincoln campus and through the VIP support team for our Councillors and Senior Executives.

- b. **IT Support Services** – the teams providing these services maintain all the applications, systems and connectivity which colleagues depend on when they log in. These cover services such as Wifi, network connectivity, email, M365, secure storage of files and documents, and monitoring and maintaining the IT infrastructure needed to ensure business applications are accessible and available.

This service area also manages and coordinates the various 3rd parties that are involved in supporting delivery of services and makes sure that the Council remains compliant with licencing and other regulatory requirements.

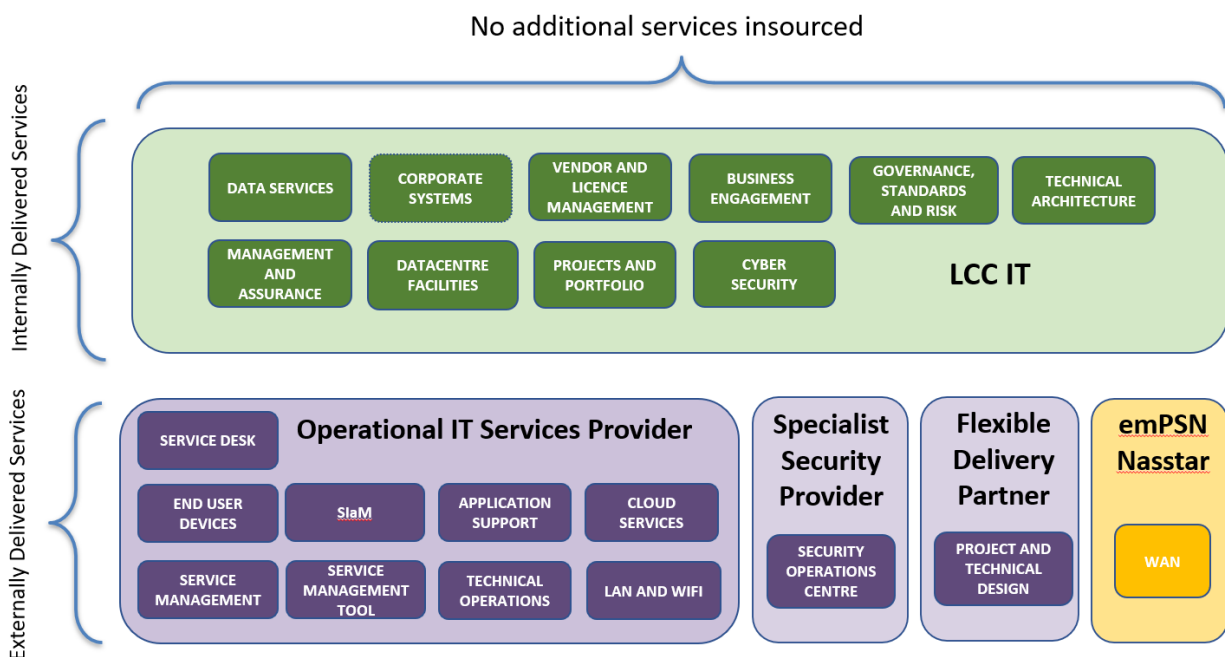
- c. **Project and Technical Delivery** – this service area provides the expertise to design and coordinate the programmes of work to implement IT changes. These can be to support business led initiatives or to ensure our IT environments remain up to date and supported.

8. The Council needs to ensure that all of these IT services continue to be provided through either in-house delivery, external suppliers or a combination of the two.

9. Drawing on feedback from the market, informal guidance from the Corporate Leadership Team and following consultation with the Executive Councillor for Highways, Transport and IT and the Leader of the Council, the recommendation is that the ongoing delivery of the IT services currently provided by the incumbent would still be best achieved through a multi-source delivery model, but to mitigate the issues highlighted in paragraph 1 the following changes are proposed:

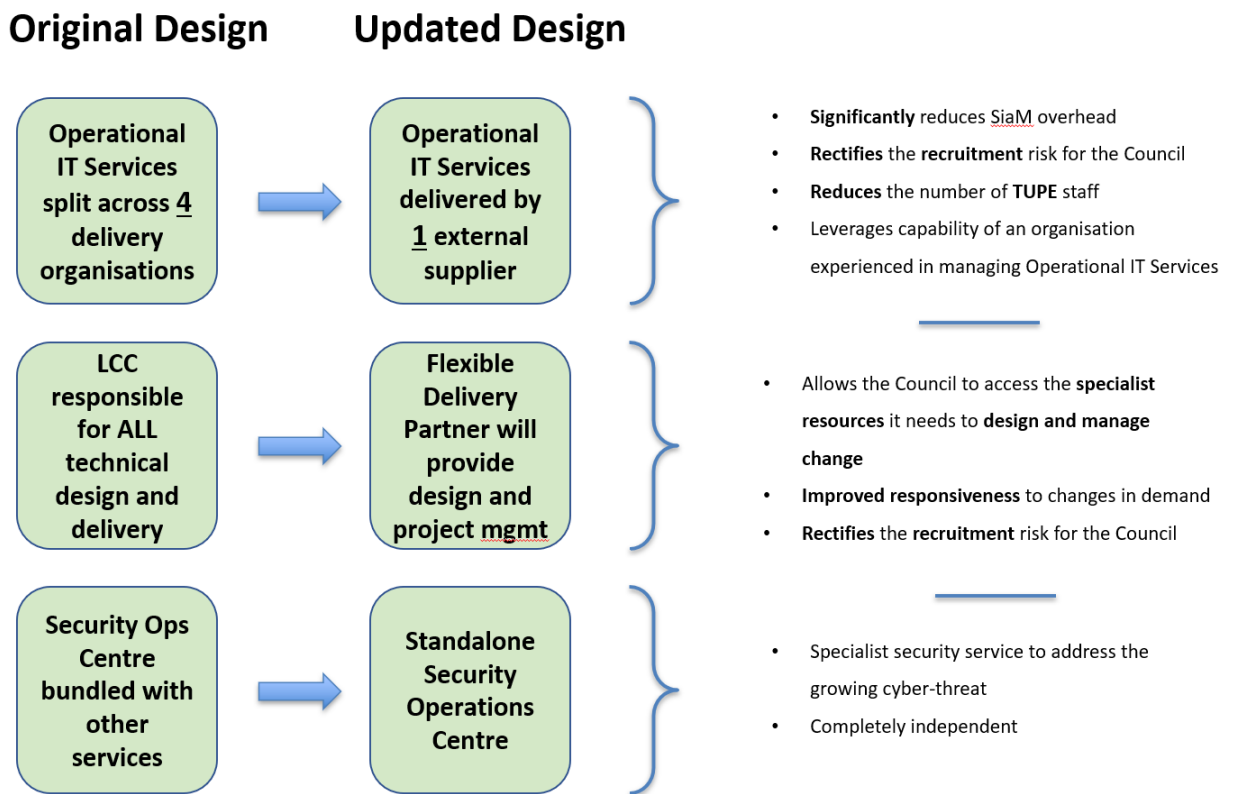
- a. No operational IT services will be insourced to the Council
- b. Operational IT services will be delivered by a single external supplier
- c. Technical design and project management will delivered by an external Flexible Delivery Partner, supplementing the existing Council IT project capability

Achieving this will involve a combination of suppliers who are experts in the provision of operational IT services or specialists in specific areas of IT service delivery. Market engagement has shown a high level of interest from credible suppliers who have public sector clients. The proposed IT Service Delivery Model (2026), proposed to be delivered by the Council is shown in the following infographic:



[Infographic 2 – Proposed IT Service Delivery Model (2026.)]

10. How this differs to the original model approved by the Executive in May 2022 is summarised in the following diagram:



11. In reference to the above diagram, the proposed changes are that:

- a. Operational IT services, including the VIP service for members, currently provided by the incumbent will be managed by a single external supplier with the Council’s IT team providing the necessary governance, assurance and supplier management. None of these existing operational IT services will now be insourced.
- b. IT Project Technical Delivery, which includes service and technical design, will be partly managed by the existing inhouse team as it is today, but the majority is expected to be delivered through an agreement with a specialist Flexible Delivery Partner (essentially a provider of Professional Services) to manage the changing volume of business demand. No additional project or design resources will be insourced. This reflects the current arrangement under which project resource is provided through Serco but will separate this from the operational delivery so that a provider specialist in this area can be engaged.
- c. A specialist partner will be engaged to provide a Security Operations Centre (SOC) to continually monitor the Council’s IT environment and provide expert threat

detection and management services to the Council's CIO and cyber security lead. This SOC will be a standalone service shared with other organisations making it affordable as well as effective. The Council's Head of Cyber Security will have oversight of the work of the Security Operations Centre to ensure that it meets the Council's security needs.

12. In addition, and in order to manage the overall risk profile, it is recommended that the Council no longer purchases its own Service Management Tool (e.g. ServiceNow) as was proposed in the original Executive Report of the 4<sup>th</sup> May 2022. The proposal instead is for the Council to utilise the Service Management Tool used by the supplier of Operational IT Services and this will be included as part of the specification when procurement activities commence.
13. The Wide Area Network (WAN) which provides data connectivity between the Council's 200 sites is supplied and maintained by emPSN / Nasstar. These agreements are already in place with contracts running through to October 2027 therefore the WAN is out of scope for this paper. However, a programme of work is being initiated to look at a new solution for providing corporate network connectivity by 2027 drawing on modern technologies and practices.

#### **ADDITIONAL BENEFITS**

14. The proposed changes to the IT Service Delivery model also provide the following additional benefits:
  - a. The consolidation of Operational IT Service delivery to a single supplier significantly reduces the Service Integration and Management (SiAM) overhead as there are fewer partners delivering operational services. In this updated model, the SiAM responsibilities can largely sit with the Operational IT Services provider with assurance provided by the Council's IT team.
  - b. A significant number of the 3rd party contracts owned by the incumbent are used to support the delivery of operational IT services. In the previous model approved in May 2022, the Council would have had to procure or novate a large number of these contracts in order to deliver the Technical Operations service in house.

However, the change in the IT service delivery model means this will no longer be necessary as the proposal is to outsource Technical Operations. The responsibility for this supply chain will now sit with the external Operational IT Services provider. This change significantly reduces the number of contracts that need to be novated to, or procured by the Council and will also reduce the ongoing contract management overhead.

- c. The number of staff that would transfer to the Council under TUPE regulations is considerably reduced as a result of the Council no longer taking on responsibility for Application Support, Technical Operations, VIP Support and SiAM, removing the need to retain specialised and difficult to recruit staff.

## MARKET ENGAGEMENT AND INDUSTRY TRENDS

15. A number of market engagement sessions took place during September 2023 and October 2023. The primary objectives of these meetings were:

- a. To advise the market on the future procurement opportunities;
- b. To confirm that there was sufficient interest from the market for bidding for the services;
- c. To obtain feedback from the market on the proposed IT Service Delivery Model;
- d. To inform the market on how best to engage with procurement processes;
- e. To allow the Council and the market to raise questions and seek clarifications where needed.

16. The following meetings took place:

- a. A virtual meeting with all interested suppliers held on the 20<sup>th</sup> September 2023 – representatives from 41 suppliers attended;
- b. Half-day in person events with suppliers interested in the Operational IT Services were held on the 26<sup>th</sup> September 2023 and 5<sup>th</sup> October 2023 – representatives from 21 suppliers attended;
- c. A virtual meeting with suppliers interested in being the Council's Flexible Delivery Partner was held on the 24<sup>th</sup> October 2023 – representatives from 27 suppliers attended.

17. The main conclusions from the market engagement were that:

- a. The Operational IT Services currently consumed by the Council today are recognised as standard services by suppliers in the market.
- b. There are opportunities to improve current processes and services to align with industry standards and supplier ways of working.
- c. Suppliers were particularly interested in the procurement route and commercials such as contract duration, quality / price ratio and indexation. For the Operational IT Services, a contract duration of 7 to 10 years with possible 2 year extensions was discussed. For the Flexible Delivery Partner and Security Operations Centre, the discussion with suppliers was around the use of frameworks to procure these services and the contract duration plus any extensions would be determined by the framework.
- d. With 21 suppliers attending the half-day events, this represented a good level of interest from the market for the opportunities presented. A number of these suppliers are well established names in the market and suppliers that the Council would welcome bids from, with several having experience in providing IT services to multiple Council's and other public sector bodies



18. The previous Executive report highlighted that there was a clear trend among local authorities of moving away from prime-provider contracts to multi-source models. The Council is still proposing to pursue a multi-source model but with fewer Operational IT Services delivered by the existing Council IT team due to the issues highlighted.
19. In that respect, the Council's approach is still in line with what many other local authorities have done or are in the process of doing, though it is recognised that each Council has its own set of objectives and challenges to address, so each IT service delivery model has its differences.
20. Representatives from the Council's IT team also met with Huw Stephens, CIO for HM Treasury, on the 29<sup>th</sup> September 2023 to discuss their IT delivery model. The main observations from that discussion are:
- a. HM Treasury IT has its own branding – Treasury Information Services (TRIS) – which includes all IT services irrespective of the delivery partner. The HM Treasury business identifies TRIS as the IT delivery service and makes no distinction between internal and external partners.
  - b. Due to the number of suppliers in their IT delivery model, HM Treasury have engaged a specialist SlaM provider. Their CIO's observation is that this is an expensive model and has not proven to deliver good value. It has been hard to leave the SlaM provider to do its job.
  - c. A pay-per-user model for the Service Desk has driven the right behaviours with their supplier. In their analyst paper - How to Structure Penalties and Incentives for Managed Services Outsourcing Contracts - Gartner also draws the same conclusion.<sup>1</sup>
  - d. Their IT delivery model is a mature, multi-supplier model. IT services are 100% in the Cloud with no legacy IT. This has significantly reduced the time to procure new IT delivery partners.
21. With the breadth of IT services that the Council delivers today, its relatively large on-premise IT hosting footprint, and limited IT operational delivery experience, the conclusion from this discussion is that the IT service delivery model being proposed will deliver the most value for the Council. However, these points will be taken into consideration as the Council develops the detail in the IT Service Delivery Model and subsequent supplier specifications and procurement documentation.

## **PROCUREMENT TIMELINES**

22. The estimated timings of the procurements for the services listed in recommendations 1 a, b and c are:

<b>Service</b>	<b>Proposed procurement start date</b>	<b>Contract Award</b>	<b>Transition</b>	<b>Service Go Live</b>
Operational IT Services	Apr 2024	Mar 2025	Apr 2025 – Mar 2026	Apr 2026
Security Operations	Feb 2024	May 2024	Jun 2024	Jun 2024
Flexible Delivery Partner (Assumes Competitive Procedure with Negotiation procurement route)	Jan 2025	Sep 2025	Oct 2025 – Dec 2025	Jan 2026

23. The procurement route to market will be finalised once detailed specifications have been drafted but current thinking, based on recent experience and feedback from the market, is that a Competitive Procedure with Negotiation will result in the best value outcome for the Operational IT Services. For the Security Operations and Flexible Delivery Partner engagements, the use of Crown Commercial Services frameworks appears a viable route but this is still being considered.

**FINANCES – Ongoing annual funding requirements**

24. A breakdown of funding requirements for the updated IT Service Delivery Model is as follows:

**a. Operational IT Services Provider**

The majority of the IT services currently provided by Serco will move to the Operational IT Services Provider. Based simply on the proposed budget for the purchase of Serco’s IT services for 2024/25 of £5.9m and existing third party supplier costs of £0.5m, the estimate for the Operational IT Services Provider is £6.4m plus indexation through to April 2026. Based on market engagement we are expecting the tender exercise to be competitive and for that to curb price increases.

**b. Specialist Security Provider**

The Specialist Security Provider will provide a security service (Security Operations Centre) over and above that which is provided today. A budget for this enhanced service of £205k forms part of the IT base budget proposal for 2024/25, however due to more immediate needs around ongoing cyber security improvements, this service will be procured in this financial year.

### c. Flexible Delivery Partner

This agreement will deliver specialist project management, technical design and business analyst services as required for specific Council IT change initiatives. The scope of this agreement will be sufficiently broad to accommodate the diversity of the project portfolio both now and in the future. Services will be called off as and when required for a particular change project and will be funded by the project.

We will explore ways to ensure resources are retained and can build experience working on Council projects. This will include exploring with bidders whether inclusion in the contract of a minimum expenditure commitment would add value to the Council. For reference, the annual expenditure on professional services (primarily technical design and project management) for IT projects is in the range £800k to £1m.

It is expected that there will continue to be a pipeline of IT change similar to the levels experienced since 2021. This will be a combination of IT led change – ongoing lifecycle management and more strategic programmes of work - and also business led change as the Council looks to adopt technologies to operate more efficiently and to improve the experience for Lincolnshire residents. The level of demand will be reviewed at the point when procurement activities for the Flexible Delivery Partner commence.

### d. Vendor and Licence Management – additional resources

As part of the proposed IT Service Delivery Model, the Council will take on full contract and vendor management responsibilities for a number of 3<sup>rd</sup> party contracts that are supported by Serco. To support this activity, it is anticipated that 1 additional Vendor Manager role will be required which is expected to be fulfilled through TUPE of staff from Serco.

The funding requirement for this is estimated to be £61k per annum.

25. Funding requirements for the main external engagements are summarised in the following table:

<b>Service</b>	<b>Funding requirement for new supplier arrangements</b>
Operational IT Services Provider	£6.4m plus indexation to 2026
Specialist Security Provider	£205k
Flexible Delivery Partner	[£800k to £1m] <sup>1</sup>
Vendor and Licence Mgmt resource	£61k

<sup>1</sup>Annual expenditure on professional services (primarily technical design and project management) for IT projects is in the range £800k to £1m.

## FINANCES – Funding requirements for Transition of services

26. There will be costs associated with implementing the new IT Service Delivery Model, most of which will relate to transitioning services to the new supplier arrangements, particularly the Operational IT Services provider. Funding will be required for these costs which will include:

a. Transition resources

- i. **Programme manager (1 FTE)** – the recommendation is to engage an external programme manager experienced in managing the transition of IT services to outsource suppliers. Council project managers will work under guidance from this resource.

An experienced, external programme manager resource will be able to identify:

- o the appropriate prioritisation of activities in a transition plan
- o areas of risk (and how to mitigate those risks) based on previous experience
- o the best strategy for ensuring effective supplier engagement

- ii. **Backfill for IT (2 FTE)** – the Council's IT Technical Architects and Heads of Service are expected to play a prominent role during transition. Backfill will be required to ensure continuity of BAU activities.

Backfill support will allow BAU IT delivery and IT change to continue, whilst Heads of IT Service and Technical Architects are actively engaged in delivering the transition with the partners they will be working with in the future. Heads of IT Service will also be able to focus on continuing to mature the IT function.

b. Other supplier costs to support exit

Though contract exit is included within the scope of the existing contract with the incumbent, it is highly likely that additional assistance will be required to cover transition activities that may fall outside of this scope. Some funding is required to cover these costs and any other supplier related costs.

c. Legal services

There will be legal costs to draft the necessary contracts and to otherwise support the procurement. These are likely to be in the order of £50,000 if all of the work can be completed in house but up to £100,000 if external lawyers are required. Funding for these costs will need to be identified (either via year end underspends or the next budget setting process).

27. The scope of the operational IT services for which management and support would need to be transitioned in a scenario where the incumbent is unsuccessful, is outlined at a high level in paragraph 7 of this paper. These IT services underpin almost all aspects of Council services and are used to:
- a. Provide connectivity for the Lincoln campus and 200 remote sites including fire stations
  - b. Support 10,000 end user computing devices for colleagues whether laptops, desktops or smartphones
  - c. Share files with around 100 partner organisations
  - d. Support over 400 business applications
  - e. Manage and maintain all the IT infrastructure in our datacentres and Azure whether for data storage or for hosting applications on over 400 servers
28. The ownership of over 40 third party contracts used to support the delivery of operational IT services needs to be transferred to new arrangements.
29. To achieve this with minimal impact to the Council's business and so that security is not compromised requires a resource who is experienced in managing complex IT transition programmes of work. The Council does not have these skills in-house and they are best sourced from the external market.
30. The Technical Architects and IT Heads of Service will also be directly involved in transition efforts and backfill will be needed to ensure ongoing work around for example, security, business IT change and IT team maturity team uplift, is not compromised.
31. The costs of transitioning to the new IT Service Delivery Model once contracts have been awarded are estimated to be of the order of £867,500. Funding will be required for these transition costs plus expected legal costs during procurement and are outlined in the following table:

<b>Transition Cost Area</b>	<b>Funding Requirement</b>
<b>Programme Manager and IT backfill resources (3 FTE total)</b>  15 month engagement	£667,500
<b>Other supplier costs</b>  To support exit and contract novation	£100,000
<b>Legal Costs</b>  As part of the procurement process	£100,000
<b>Total</b>	<b>£867,500</b>

32. The above transition costs represent 1.4% of the total contract spend (based on a 10 year term at £6.4m per annum). These are early estimates of transition costs and assume a procurement scenario where the incumbent is unsuccessful. The costs will be refined as procurement activities and transition planning progress during 2024.

### **OTHER OPTIONS CONSIDERED**

33. The Council also identified what other options were available and assessed whether they would better mitigate the risks highlighted in paragraph 1. These options are summarised as follows:

#### **A single large strategic partnership ('prime provider' model)**

34. A single large strategic partnership ('prime provider') contract i.e. the majority of IT services including security operations and delivery of change, provided by a single supplier. The Executive Report of the 4th May 2022 documented a number of reasons why this type of agreement would not be appropriate for the Council and these reasons remain valid.

35. In addition, the following highlight further reasons why a future agreement with a prime provider would not best serve the Council:

- a. The Council will be better served by having a wider set of options for accessing design and IT change delivery services. The proposed model offers this through having a Council-owned project and technical change capability supplemented by a Flexible Delivery Partner. An option to access professional services could also be included as part of the Operational IT Services provider contract.

This will allow the Council to be more responsive to changing business priorities and demand, and will provide access to a broader range of specialist resources appropriate to the change being implemented than can be provided through a prime provider type agreement.

- b. The ever evolving cyber-threat landscape requires specialist security support. Segregation from the provider of IT services is necessary to ensure full accountability, transparency and to remove conflicts of interest. This would not be achieved by bundling all security services with a prime provider.

#### **A full insource of services**

36. A full insource of services would not mitigate the issues highlighted in paragraph 1. Bringing all IT services in house would significantly increase the transition complexity and recruitment difficulties and is unlikely to be achieved in the timescales. This approach would exacerbate the issues and is strongly not recommended.

## RISKS

37. The table below outlines some of the risks that need to be considered as implementation of the updated IT service delivery model begins:

Area	Risk Description	Mitigation
Leadership	Newly appointed leaders - CIO, Chief Legal Officer and Assistant Director Commercial – may challenge the model and request further changes.	<p>Manage expectations during interview process (CIO).</p> <p>Outgoing leaders ensure new appointees are briefed with executive sponsor support.</p>
Procurement	Prospective bidders see Serco as a significant threat and may decide not to invest in the process and withdraw.	<p>Already stressed at pre-market engagement events that there is no pre-defined outcome.</p> <p>Explore options to ensure a level playing field.</p>
Resources	Key existing Serco staff move to other roles within Serco, or leave, either prior to or on contract end date.	<p>Engage early and effectively.</p> <p>The new provider through the contract accepts the resourcing risk and has access to other staff to call on.</p>
Transition	Risk of impacting BAU services during transition to new supplier arrangements.	<p>A lot of experience on the supplier side in managing transition.</p> <p>Phasing of services to reduce impact.</p> <p>Build an experienced transition team early (min. 18 months in advance) to prepare and plan.</p> <p>Council IT resources involved in the procurement, transition and subsequent BAU management.</p>
Exit	Lack of effective engagement from Serco during Exit (assuming a procurement scenario where Serco is unsuccessful)	<p>Ensure Serco are held to Exit commitments in the contract.</p> <p>Work with Serco on a jointly owned exit plan.</p> <p>Ensure Serco's ongoing engagement</p>

		through formalised and funded projects up until the end of the contract to maintain project resources.
Finance	There is a risk that the cost of the solution for operational IT services is in excess of current planned budget.	<p>Further market engagement will explore how the way services are specified affects pricing.</p> <p>Running a transparent and information rich procurement will help remove bidder uncertainty and will encourage competition.</p>

## 2. Legal Issues:

In January 2013, the Public Services (Social Value) Act 2012 came into force. Under the Act the Council must before starting the process of procuring a contract for services consider two things. Firstly, how what is proposed to be procured might improve the economic social and environmental wellbeing of its area. Secondly, how in conducting the process of procurement it might act with a view to securing that improvement. The Council must only consider matters that are relevant to the services being procured and must consider the extent to which it is proportionate in all the circumstances to take those matters into account. In considering this issue the Council must be aware that it remains bound by the Public Contracts Regulations 2015 which itself through its requirement for transparency, fairness and non-discrimination places limits on what can be done to achieve these outcomes through a procurement.

Procuring an IT service delivery model will not in itself improve the economic social or environmental wellbeing of the area but as set out below the Council's IT supports all of the Council's activities that do directly contribute to such improvement.

Ways will be explored of securing social value through the way the operational services procurement is structured. This contract in particular has the size to enable providers to contribute to social value through, for example, apprentice and engagement programmes. At the same time the Competitive Procedure with Negotiation gives a process through which such benefits can be explored at greater depth and the scoring mechanism used in part at least to incentivise genuine engagement by bidders in exploring such issues.

Under section 1(7) of the Public Services (Social Value) Act 2012 the Council must consider whether to undertake any consultation as to the matters referred to above. The service and the value it delivers is well understood. Best practice recently adopted elsewhere has been reviewed. This and the market consultation carried out is considered to be sufficient to inform the procurement. It is unlikely that any wider consultation would be proportionate to the scope of the procurement.



## Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision-making process.

There are not considered to be any Equality Act implications arising out of the choice of delivery model for future IT services. The proposals put forward in this Report are considered to be the best way of ensuring the ongoing availability, performance and development of an IT platform that fully supports the Council in supporting its residents and communities in a way which meets the Equality Act requirements.

Specifications especially around end user computing will require accessibility requirements to be met for people who may be impacted in their ability to use IT because of a protected characteristic.

### Joint Strategic Needs Assessment (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS) in coming to a decision.

There are not considered to be any direct JSNA or JHWS impacts of the decisions required by this Report. Indirectly, the Council's IT infrastructure underpins all the work of the Council and the way it interacts with its customers and communities. The proposals put forward in this Report are considered to be the best way of ensuring the ongoing availability, performance and development of an IT platform that fully supports the aspirations of the Corporate Plan which directly contribute to the achievement of JHWS objectives.

### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

There are not considered to be any direct impacts of the decisions required by this Report on the section 17 considerations. Indirectly, the Council's IT infrastructure underpins the work of the Council in fulfilling its crime and disorder functions. The proposals put forward in this Report are considered to be the best way of ensuring the ongoing availability, performance and development of an IT platform that fully supports the Council and its partners in that work.

### **3. Conclusion**

This report has considered all main insourcing and outsourcing options and the recommendation is that the ongoing delivery of the IT services would be best achieved through a multi-source model involving external partners but with no additional IT services moving in-house.

This updated IT service delivery model is recommended as the most effective design to enable the Council to address the risks relating to recruitment, IT maturity and transition complexity documented in this report. It will also allow the Council to respond to the rapidly changing technical and information security environment; to be agile in the way it responds to business needs and priorities; and to support its digital ambitions.

Market engagement has provided assurance that there is a good level of interest and market engagement events were attended by suppliers who would be a good fit for the Council. Feedback from representatives during the meetings was that the opportunities on offer are recognised as standard services by the market.

A single large strategic partnership with a prime provider with limited services managed in-house is not recommended. The market is limited, such suppliers are not necessarily specialists in all areas, and it is hard to see how they would add value rather than cost.

A full insource of services would not mitigate the issues highlighted in this report. Bringing all IT services in house would significantly increase the transition complexity and recruitment difficulties and is unlikely to be achieved in the timescales. This approach would exacerbate the issues and risk to the Council and is strongly not recommended.

#### **4. Legal Comments:**

The Council has the power to pursue the procurements proposed which must be carried out in accordance with the Council's obligations under the Public Contracts Regulations 2015.

The decision is consistent with the Policy Framework and within the remit of the Executive.

#### **5. Resource Comments:**

There are two areas set out within the report which have potential resource implications: the ongoing cost of the new service delivery model (subject to the procurement exercise), and the cost of transitioning to the new model.

In respect of the ongoing cost, the Council has an existing budget provision across revenue and capital to fund the cost of the current activity, aligned with the current delivery model and as set out in the report. At this stage in the process, this provides a cost baseline and a current affordability envelope. The cost of the new model would ultimately be determined by the procurement exercise and may give rise to a different level of cost than the current baseline which would need to be considered at the appropriate point and via the appropriate process (i.e. the next budget setting process). It is a possibility that some items currently funded from capital may require switching to being revenue funded, which again would need to be considered further into the procurement process.

In respect of the transition costs, these would need to be identified and separately funded either via year-end underspends or the next budget setting process given their one-off nature.

## 6. Consultation

### a) Has Local Member Been Consulted?

n/a

### b) Has Executive Councillor Been Consulted?

Yes

### c) Scrutiny Comments

On 12 March 2024, the Overview and Scrutiny Management Board recorded its support for the three recommendations to the Executive.

As part of its consideration, clarification was received on three questions raised by members of the Board:

(1) Long Term Sustainability

The proposal is for a long term model, potentially with a contract time frame of five years, plus three extensions of up to two years, to a maximum of eleven years. The Board was assured of the importance of selecting partners who can work with the Council for a long term such as this. The proposed model would give the Council access to more providers than a procurement for a single-source provider.

The Board was also advised of the importance of 'right-sizing' the relationships so that the contract 'means something' for the provider; and of accessing organisations who will be able to innovate and respond to change to meet the Council's needs, and also to advise the Council on improvements, in turn improving frontline services.

(2) Resilience and Security

The Council has invested in combating state-sponsored and criminal threats to the Council's IT systems, which are always evolving. For example, the Council now has a head of cybersecurity, which provides more focus on this activity, with state-of-the-art tools to identify and tackle issues. In addition, the Council has invested in the updating of legacy systems, so their level of protection against threats has been improved.

(3) Plan 'B'

Managing the risk of a need for a plan 'B' would be achieved by continuing to undertake market engagement work, in order to get a range of responses from a broad range of suppliers; by undertaking appropriate due diligence on any company that the Council plans to work with, including their track record, financial sustainability, and references from existing clients.

Another element is to get the right balance in the services that the Council would include in the procurement, as well as understanding the Council's services. The Council would also need to be in a good position to move to another supplier, if after all else failed, that were to become necessary.

**d) Risks and Impact Analysis**

See the main body of this Report.

**7. Background Papers**

The following background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Document title	Where the document can be viewed
Report to Executive 4 May 2022 titled "Options for the Future Delivery of IMT Services"	<a href="https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=794">https://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=794</a>

This report was written by Phil Johnson who can be contacted on 07920 710177 or phil.johnson@lincolnshire.gov.uk.

This page is intentionally left blank