Report to:	Cabinet	Date of Meeting:	7 March 2024
Subject:	ICT Managed Service Contract		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This report sets out the background for the Council's current ICT provision, delivered by an external provider, which briefly comprises of Core Operational services, Ad hoc Services; including (but not limited to) Project Management, major upgrade support and Data Security Services, as well as the provision of School ICT Services. The report summaries the performance of the current contract and proposes the procurement of a supplier to continue service provision, in line with the requirements of the authority, once the existing contract ends in 2025.

The report recommends the use of the Crown Commercial Service Framework CSS Technology Services 3 Lot 3b Operational Management, to source a service provider for a period of a three years, plus a further optional two years (which is the maximum contract term allowed).

Recommendation(s):

(1) That the Executive Director of Corporate Resources & Customer Services be authorised conduct a procurement compliant exercise for the provision of ICT Managed Services to Sefton Council, the resulting recommendation will be brought back to Cabinet for an award decision.

Reasons for the Recommendation(s):

To ensure that critical ICT Services continue to be provided and that support is in place for all staff across the authority as well as ensuring that robust Cyber security defences remain in place to reduce the threat of a Cyber-attack.

Alternative Options Considered and Rejected: (including any Risk Implications)

To conduct an open competition for a new provider, rejected as the CCS framework proposed provides a route to market in line with public procurement regulations, reduces the complexity of the process and includes over 100 potential suppliers.

What will it cost and how will it be financed?

(A)   Revenue Costs

The Service provision will be funded via existing Council Budgets.

(B)   Capital Costs

There are no capital costs expected from this procurement.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): **Financial** No impact, costs to be contained within existing budgets. **IT:** There are no negative implications expected. **Staffing:** There will be Tupe implications both to potentially a new provider and to the authority, consultation will take place with both staff and Joint Trade Unions as required during this process. The transfer of staff to the authority will also require a realignment of roles and responsibilities and accountability lines with the ICT Client Team. **Assets:** Council ICT Assets will be managed under the new contract, inventories for which are already in place.
Legal Implications: The procurement exercise proposing to be undertaken will be compliant with Public Contract Regulations 2015.
Equality Implications: There are no equality implications.
Impact on Children and Young People: No

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

This decision will have a neutral impact because it is a continuation of an existing service.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Ensures continuity of critical service provision.
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener Not applicable

What consultations have taken place on the proposals and when?

(A)   Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.7501/24) and the Chief Legal and Democratic Officer (LD.5601/24) have been consulted and any comments have been incorporated into the report.

The Head of Corporate Procurement has been consulted and any comments have been incorporated into the report.

The Head of HR has been consulted and any comments have been incorporated into the report.

The Portfilo Holder for Education has been consulted and comments have been incorporated into the report.

(B)   External Consultations

Not Applicable

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

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Appendices:

There are no appendices to this report.

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

1.1 In 2018 Agilisys took over as the ICT Managed Service provider for Sefton following a 10-year agreement with Arvato. The redesigned contract was awarded for 5 years with two optional 12-month extension periods.

1.2 Sefton has now issued both 12-month extensions as permitted within the original delegated approval for the award. The current contract comes an end on the 30th of September 2025.

2. Contract Scope

2.1 The scope of the current contract delivers the following services to the Council.

The Core Operational Services
o Helpdesk Services
o Infrastructure and Hardware
o Network Services including Cyber Security
o Council User Services
o Telephony
o Application Support including Cloud Services
o Data Collection & ICT Services Report
o Installation Services
o Active Directory Services

Ad Hoc Services
o Project Management Services
o Major Upgrade Support
o Commissioning and Decommissioning Support
o Ad Hoc Reporting

o   Data Security Services

Schools ICT Services (Schools opt in for these bought back services)
o   Support for Management Information Systems (MIS)
o   ICT Support (Connectivity)
o   Fully Managed Services

3.   Performance

3.1   The redesigned operating model for the delivery of ICT Services across Sefton Council brought about the formation of an intelligent client function to manage not only the contract delivery but schools, all ICT contracts, and procurement activity as well as the delivery of key transformation programmes.   The strategic direction for ICT now sits firmly in the Council and the ICT Operational contract has focused on the delivery of value for money services to maintain, upgrade and support the ICT infrastructure.

3.2   With this new model in place the authority has moved, at pace, from a position of having an aging ICT infrastructure and rolling costly contracts in place, to a well-managed modern ICT estate.

3.3   During the contract period performance management against a challenging set of key performance indicators has been rigorous and effective.

3.4   Performance of the managed service contract is closely managed and where appropriate the Client team has invoked penalties in the form of service credits for non-performance, however such incidents have been few.

3.5   Customer satisfaction is a new key measure implemented during the contract and performance is high, with trends well over the 70% benchmark of customer feedback forms being positive in terms of satisfaction levels. Any low satisfaction scores are proactively followed up to ensure that any trends or potential improvement actions are identified.

3.6   Further to providing a good and valued ICT service the new operating model has delivered significant savings for the authority, reducing overall spend on ICT Services by over £3 million per annum. Overall, the managed services contract costs of 3.7m per annum (financial year 22/23) including spend on ad hoc projects, schools support (which is recharged) and additional support commissioned for Sefton Arc Commercial Services, during the contract term. In addition, we have seen an increase in the support cost for Applications (181k per annum), this increase is based on additional applications found during transformation. Contract costs for school's support costs have reduced during the contract term, due to a redesign in the delivery model for connectivity.

3.7   As mentioned above, the current contract allows for the delivery of ad hoc projects to Sefton; these range from system upgrades to major infrastructure programmes including the implementation of Cloud Telephony and Data Centre Cloud Migration. The most significant project to date, Cloud Migration, completed in 2022 and the ability to commission additional technical expertise ensured a successful outcome for Sefton in what was a very complex and challenging project.

3.6 The Council has also significantly benefited from sharing the risk in relation to Cyber Security over the last few years. The increasing threat landscape has seen major incidents at several authorities and Sefton has worked in partnership with the current provider to strengthen the Council's Security profile. This partnership improvement plan is continual with joint reviews, verification exercises and training in place. The current arrangement for Sefton not only provides a local security team but also ensures alignment to a central Security Operations service, subject matter experts, policies, and procedures in line with best practice standards and a shared ownership and management of risk.

4. Future Operating Model

4.1 A key question for Sefton is whether, from a business point of view, the authority wishes to continue with an external provider for the provision of operational ICT services. There are significant benefits in using an external provider model for Core ICT Operational ICT Services.

4.1.1 Sefton's service desk is now located within a regional service desk, thereby providing resilience in instance of staff absence. Hours of operation have also significantly improved with the service desk offering extended hours over a weekend and evenings.

4.1.2 The current model also provides additional capacity and specialist cover for technical aspects of ICT service delivery including (but not limited to); Cyber Security, DBA support (database administration), Cloud Architecture, and Technical Design. Other authorities across the region are experiencing challenges attracting suitability qualified candidates to apply for existing vacancies in these essential technical posts.

4.1.3 The current contract also provides a degree of resilience for example during the pandemic Sefton were also able to access additional field engineering staff and maintain business continuity when the entire local field engineering team had to go into isolation.

4.1.4 In addition, the current contract provides additional access to wider services and innovation sessions around ICT Transformation, which can be commissioned, as needed, to deliver key technical projects, such as Cloud, rather than Sefton having to recruit into this space.

4.2 As mentioned, Sefton has also been largely protected from the technical ICT recruitment challenges experienced by other local authorities in the region. Which are impacting teams from Service desk staff to Project Management and more specialist technical roles such as Technical Architecture, Database Administration and Security.

4.3 Cyber security features on the corporate risk register for the Council and is widely recognised as one of the key risks affecting all Councils across the Country, the

current contract shares this risk and ensures the delivery of services to the authority that align with industry standards and National Cyber Security Services.

4.4 Therefore, considering operational performance, the significant benefits of the model and the achievements over the last few years it is not proposed to fundamentally change the model; the externally provided service works well, delivers in line with challenging KPI's and provides a value for money service for Sefton, based on the core operational fee.

4.5 However, there are some elements of the current contract which do require improvement these relation to the following elements of the current contractual provision:

- Cyber Incident Security Event Monitoring (SIEM) and Security Operations Centre provision
- Application Support
- Schools Service Provision

4.5.1 Cyber Security Incident Event Monitoring and Security Operations Centre Provision

Currently Sefton commissions its SIEM service separately; given the integration to existing contractual provision it is proposed to include this provision into the new contract from 2025.

4.5.2 Application Support

Currently this service sits within the external contract, and Sefton is charged (in addition to the core operational service fee) for any works that take over half a day (4 hours) including standard upgrades to critical systems. This cost is significant. Further costs have also been incurred for any newly discovered applications on the estate. The role of the applications support team is changing linked to the strategic direction to move to SAAS services where possible, and there is also the requirement to move into new areas such as AI, as well as the need to develop the team to support the Council's aspirations around the website. In addition, much of application development and support remains in the Council with System development sitting within the ICT Client team, and additional dedicated staff for other applications sitting in service. It is therefore believed this team needs a fundamental review and restructure and would be best placed within the ICT Client team for this to be completed. This model is seen within other authorities who have ICT services, for core operational delivery, being delivered by an external provider.

4.5.3 School Services Provision

An aim within the current contract was to ensure that the Council had a key role in providing a quality offer across all Schools, this aim has been met during the term

of the current contract, however over the last few years we have seen a change in the business model of a significant number of schools, particularly with the move to Academy's/Trusts and this is evidenced in the low take up of a number of our ICT SLA's,

At the time of writing Sefton provides three SLAs to schools

- o Fully managed services – 26 schools currently take this service.

- o Management Information Systems (MIS) – 86 schools opt into this service.

- o Connectivity – 40 schools buy back this service.

The School SLA's currently make a loss to the Council in terms of financial revenue, once the administration costs are factored in, it is therefore proposed to remodel the new contract to allow a direct commercial relationship between the ICT Managed Services provider and Schools, with the authority moving to a quality assurance role. Thus, removing the financial risk to the authority when schools leave the service but maintaining a quality offer should schools wish to opt in.

5.   Conclusion

5.1   As highlighted within this report the current contractual arrangements for the provision of ICT Operational Services works well and has delivered significant benefits for Sefton Council.   However, there are some elements of the current contract that could do with changing to either improve the current provision and address any gaps, particularly related to security, or to reduce cost and increase efficiency of service provision.

5.2   Officers have identified Crown Commercial Service Framework CSS Technology Services 3 Lot 3b Operational Management, that will enable of procurement complaint process to be undertaken to source a service provider for a period of a three years, plus a further optional two years (which is the maximum contract term allowed).

6.   Next Steps

6.1   Should Cabinet approve the recommendations within this report, then the following indicative timeline is proposed.

April – October 2024	Procurement Activity
November – January 2025	Contract Agreement and Award
February – September	Transition
1st October 2025	Go Live