Report to:	Cabinet	Date of Meeting:	7 February 2019
Subject:	Strategic Approach to ICT Contracts Management		
Report of:	Head of Corporate Resources	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 seeks Cabinet approval for the implementation of a strategic approach to contract management for all ICT contracts held by the local authority. This approach will enable the following activity

1. Gain a full understanding of all contracts that have been inherited by the Council following the end of the Arvato contract including, suppliers, terms and conditions, pricing and how critical services are supported
2. Ensure that robust contracts are in place between the authority and vendors
3. Rationalise contracts in line with business requirements
4. Manage risk in relation to business continuity

Recommendation(s):

Cabinet is requested to

(1) Approve the strategic approach detailed within this report

(2) Delegate authority to the Head of Corporate Resources, in consultation with the Cabinet Member – Regulatory, Compliance & Corporate Services to implement the contract management strategy in accordance with the Councils Contract procedure rules and appropriate legislation.

Reasons for the Recommendation(s):

On the 30th September 2018, the Council's 10-year partnership with Arvato for provision of a range of services came to an end. Several transactional services returned to the Council for ongoing service delivery and an element of ICT service delivery was the subject of an OJEU compliant procurement. This contract was awarded to Agilisys for a 5-year term, with an option to extend for a further two years.

During the period of the partnership, Arvato had been contracted to provide a supplier contracts management function which sat within the remit of ICT services. This function has not been transferred to the Council's new external ICT provider, Agilisys, and became the responsibility of the Council with effect from 1ˢᵗ October 2018. As part of the exit arrangements with Arvato, work was undertaken to start the process of understanding and reviewing all contract arrangements, but it is only since the function has transferred to the Council that work could truly commence.

As responsibility for supplier contract management has now returned to the Council a strategic approach is required to complete a systematic review of all contracts and licences that considers business requirements, the most economically advantageous approach and procurement legislation.

The stability of the Council's ICT infrastructure is key in maintaining business continuity.

Alternative Options Considered and Rejected:

The authority has inherited a function that has been delivered as a managed service by another provider for ten years, and as such there is an opportunity to review all existing contracts in place, to ensure the provision of best value services to both internal and external customers.

Given the volume of work required it is felt that there is no option but to complete a systematic review, based on the strategy outlined in this paper.

What will it cost and how will it be financed?

(A)   Revenue Costs

The total annual value of all ICT Contracts held by the authority is £2,781,000, work is currently continuing to understand the existing terms and conditions of each contract. The ongoing costs of all contracts are contained within the services budget

(B)   Capital Costs

Any new ICT contracts established for the procurement of ICT equipment may include capital costs relating to device purchase, such costs will be funded from existing service and transformation budgets

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): ICT contract/licence renewals will be carried out by the Council's ICT client team, in partnership and consultation with Service Delivery leads, Legal and Procurement teams as required. As part of this process, service and system leads will be required to support the review in defining business requirements
Legal Implications: The implementation of this strategy would allow the authority to ensure that the contracts are in place in line with business and legal requirements.

Equality Implications:
There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: The implementation of this strategy will ensure the maintenance of systems and services used by Council staff to deliver services to the most vulnerable members of our communities.
Facilitate confident and resilient communities: The implementation of this strategy will ensure the maintenance of systems and services used by Council staff to deliver services to our communities.
Commission, broker and provide core services: The implementation of this strategy will ensure the maintenance of systems and services used by Council staff to deliver services.
Place – leadership and influencer: Not applicable.
Drivers of change and reform: As the strategy is implemented the Council will seek to exploit as many opportunities as possible to drive forward the Council's ambitious change programme.
Facilitate sustainable economic prosperity: The potential for added Social Value, including economic wellbeing outcomes, will be considered as part of the strategic approach and within individual contracts.
Greater income for social investment: Not applicable.
Cleaner Greener The potential for added Social Value, including environmental wellbeing outcomes, will be considered as part of the strategic approach.

What consultations have taken place on the proposals and when?

(A)   Internal Consultations

 Head of Corporate Resources (FD 5502/19) has been consulted and comments have been incorporated into the report. The Chief Legal and Democratic Officer (LD4627/19) has been consulted and comments have been incorporated into the report.

In addition, Commissioning and Procurement leads have been consulted and any 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 Sefton Council outsourced its ICT service to Arvato CRM UK & Ireland (under a Services Agreement) for a 10-year period between 1 October 2008 and 30 September 2018

1.2 As part of the arrangement, Arvato managed the contracts with third-party ICT suppliers which provided software, hardware and services to the Council. (In addition, Arvato also carried out some ICT procurement on behalf of Sefton schools).

1.3 Whilst some of these contracts were Managed Contracts and therefore remained in the Council's name, the majority were Novated Contracts and as such, ownership of those contracts was transferred to Arvato for the duration of the Services Agreement.

1.4 In addition, many new contracts with third-party suppliers set up during the term of the Service Agreements were done so under Arvato's name.

1.5 Following the end of the 10-year contract a total of 267 ICT Contracts have been transferred to the Council, with 88% of these being valued under £20k per year.

1.6 Although the novation of contracts was included within the Arvato Exit Plan, only in October 2018, when staff transferred to the authority and contracts started to novate, did the authority start to gain clear visibility of what contracts were in place, what supporting documentation was available and the values. The key task arising therefore is to evaluate this information and then develop a robust and ongoing contract management strategy for the service.

1.7 To minimise any risk associated with the novation of the contracts from Arvato all novation's will be sealed on receipt as per guidance from the Council's Legal Team.

1.8 These contracts that were previously managed and administered by Arvato are critical to the operation of a wide range of council services. As such a primary objective in the transition process was for all services to 'land safely' and ensure business continuity is maintained. As stated, it is only since October 2018 that visibility of those contracts in place has been possible but from an initial review these contracts consist of: -

- A number of contracts are for the support and maintenance of core council systems such as council tax and social care. These systems are large, complex and will have been the subject of major council led implementation projects that spanned a number of years and required significant development and upfront capital costs- typically these systems are replaced 'once in a generation' e.g. every 15 years and would be the key systems that require business continuity plans and are used by many local authorities with similar responsibilities
- Contracts that support smaller systems and functions but again require significant time to define business requirements and require significant up-front capital expenditure; and

- Software or system user Licenses

1.9 Having taken over the responsibility for these contracts, a full evaluation needs to commence to ensure that all are required to meet the Council's business requirements, that the Council is benefiting from the most advantageous commercial arrangement possible and that appropriate contract documentation exists. This review will ned to take place in accordance with the Council's contract procedure rules and appropriate legislation.

2. Adopting a Strategic Approach to ICT Contract Management

2.1 There is an opportunity to review business requirements and develop a clear Contract Management plan in accordance with the Council's Contract Procedure Rules and Procurement Legislation.

2.2 It is therefore recommended to implement a full review of all contracts novated the authority over the next two to three years.
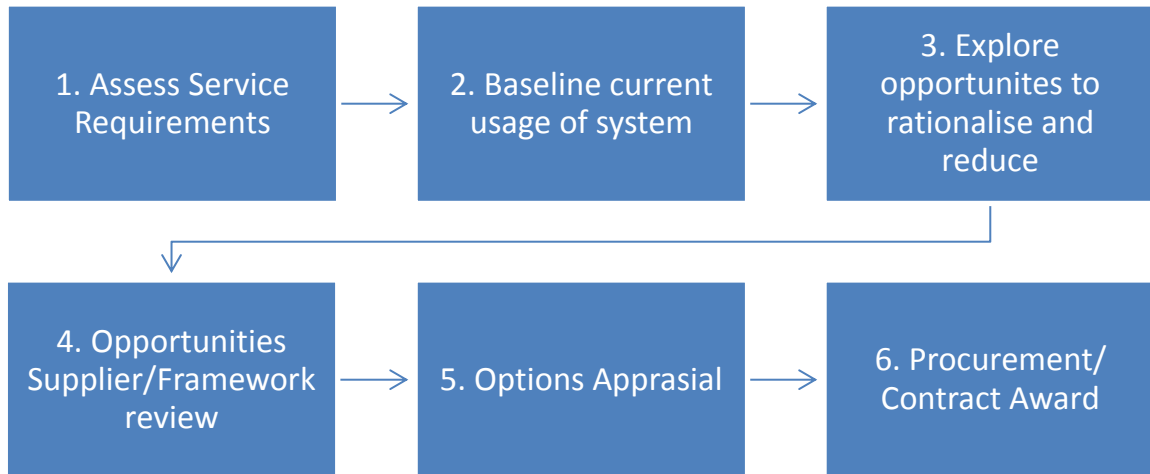
2.3 The contracts can be categorised as follows

Category No.	Description	Number of contracts
1	Low value 12-month contracts <20k cost per annum	235
2	Support contracts and services over 20k per annum but under OJEU Threshold	5
3	Ongoing support and licensing costs for major Systems, application licensing and infrastructure services	27

2.3.1 Category One Contracts

These contracts predominately cover support licences, and non-critical software. To ensure value for money, the process to systematically review all of these is already in progress and will run on a 12-month cycle. The current and planned approach is being completed in line with Public Procurement Regulations and Local Contract Procedure Rules.

2.3.2 Category two Contracts

These five contracts support core operational service delivery but are not currently classed as critical applications or services. The proposed approach for the review of these contracts is as follows and will be completed over the next two years

1. Assess Service Requirements	2. Baseline current usage of system	3. Explore opportunites to rationalise and reduce
4. Opportunities Supplier/Framework review	5. Options Apprasial	6. Procurement/ Contract Award

This work will be completed in partnership with service leads, legal and procurement colleagues and will be completed in line with the Council's Contract Procedure Rules and procurement legislation.

2.3 Category Three Contracts

There are twenty-seven critical system/support and maintenance contracts within the overall 267 as described earlier within this report. These applications, systems and services underpin the core ICT infrastructure and support critical service provision across the authority. It must also be highlighted that several of the systems supported by these maintenance contracts enable the authority to meet statutory obligations in terms of either service delivery or statutory reporting requirements.   Some examples are provided below

- Annual support and maintenance of case management systems that support Adults and Children's Social Care
- Support of systems that support the administration of Revenues and Benefits
- Services that allow communications and connectivity to the internet and local networks
- Printing and scanning solutions

Due to the very nature of these systems and services across many local authorities there is an only a small number of vendors providing products to meet requirements and typically these systems and service have long contract lifecycles and are reviewed 'once in a generation' due to the following factors

- Internal and external resources required to review business requirements, conduct a procurement exercise and award a new contract
- The cost of change to migrate from an existing system, including factors such as data migration, training, local configuration, risk and integration requirements
- Potential capital investment required for a new solution
- Scale and size of an implementation project, for a large system it could take a number of years to deploy all elements of a solution, hence councils typically only undertake 1 such project every 5 years
- Impact on business as usual service delivery that any system change could bring
- Links to national and regional strategic directions, such as dependencies on system integration for Health and Care plans across the region

The immediate key priority is to ensure that Sefton Council has robust contracts in place for the support and maintenance of systems owned by the authority in order to minimise any risk(s) in relation to business continuity and ensure the delivery of core council services to residents. Work is therefore planned in 2019/2020 to review the current contractual documentation in place and revise existing contracts, as required, with these existing providers to minimise any risk to business continuity.

Alongside reviewing the current contractual arrangements and ensuring that robust contracts are in place, a long-term plan will be developed to review each of these systems in turn to ensure value for money and this may include procurement activity. Where possible the authority will look for opportunities to take advantage of existing Government Frameworks or procure in partnership with other local authorities/wider partners where appropriate.

3   Conclusion

ICT is identified as a key enabler within the Council's Framework for Change Programme and many of the contracts summarised in this report support the both existing operational service delivery as well as forming the foundational architecture for the Public-Sector Reform Transformation Programme. To ensure the provision of key operational services across the authority the ICT systems that enable these operations must be supported by robust contracts and support agreements. This work is prioritised for the current financial year.

It is then recommended that systematic and planned review of contracts is completed as outlined within this report to ensure the business continuity whilst also ensuring alignment to the strategic direction locally and regionally.

Additional capacity will be allocated in both the ICT Client Team and Legal team to deliver the contract management strategy outlined within this report, this will be contained within existing resources. The investment needed from a resource perspective to review major systems is significant and must be planned to ensure sufficient time and capacity for a full review of business requirements, particularly for category three contracts to ensure effective procurement activity and implementation alongside wider public-sector reform programmes.