

ICT Due Diligence Report for Watford Borough and Three Rivers District Councils

ACTICA/PB308D006 1.0

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1 Introduction

1.1 General

- 1.1.1 This document presents the findings and observations made during the due diligence exercise undertaken by Watford Borough Council and Three Rivers District Council (the Councils) and Capita as part of the future outsourcing of ICT.

1.2 Background

- 1.2.1 In May 2012 Watford and Three Rivers started a procurement exercise for the outsourcing of their ICT services. Following an evaluation of supplier responses Capita were appointed at the preferred bidder with Northgate placed in reserve.
- 1.2.2 In line with the overall procurement plan Capita were subsequently invited to undertake a Due Diligence exercise in order to ensure that their proposed costs and technical offering are correct.
- 1.2.3 Due Diligence is a two way process and it was also an opportunity for the Councils to ensure that the future business relationship with Capita will work.
- 1.2.4 During the Due Diligence stage the Councils had a number of clear objectives to ensure that before final contract signature they had a firm understanding that Capita can provide the required services at the costs stated.
- 1.2.5 In addition, during the evaluation, a number of technical areas were identified that required further investigation by the Councils. Annex A contains the checklist developed by the Councils that covers all of the areas that needed to be evaluated and analysed in more detail as part of this exercise.

1.3 Document status

- 1.3.1 This is the draft version of this document for review and comment by Council staff.

1.4 Document Structure

- 1.4.1 The remainder of this report is structured as follows:
- a. Section 2 outlines the scope of the due diligence exercise conducted and the observations made by Actica during that period.
 - b. Section 3 presents the conclusions from this work;
 - c. Appendix A contains the due diligence checklist developed by the Councils.

2 The Due Diligence Exercise

2.1 Introduction

- 2.1.1 This section outlines the scope of the due diligence exercise conducted and the observations made by Actica during that period.

2.2 Scope of the Due Diligence

- 2.2.1 During the six week Due Diligence period the Councils provided unrestricted access of the ICT operation to Capita for them to understand, in detail, what is in use to ensure that their technical and commercial offer was valid and fit for purpose.
- 2.2.2 In order to have a successful Due Diligence it was important for the customer and Capita to confirm that:
- a. the offered solution can meet the technical requirements;
 - b. technical considerations around service levels, novation and transition are understood by both parties;
 - c. the staffing and HR considerations are correctly understood by all parties;
 - d. the commercial offer can be delivered within the price stated during the tender evaluation;
 - e. successful references are received from existing customers.
- 2.2.3 The Due Diligence process involved a number of workshops and meetings to establish and confirm points listed above. On completion of the six week period the supplier reported back to the customer its findings and confirmation of the points listed above.
- 2.2.4 In addition to the supplier carrying out their investigations the Councils also went through their checklist and visited reference sites, the Capita operation in Chippenham and the future data centre, and held meetings on commercial and HR matters.

2.3 Actica Observations

- 2.3.1 Actica has provided assurance and support to the Head of ICT Service throughout the due diligence process. Our observations made during this period are as follows:

Feedback following Capita Due Diligence Report:

- 2.3.2 Following a period on site by the Capita technical team, Capita formally issued a Due Diligence report that detailed its findings on 30 November 2012. Whilst this report had a number of improvements that needed to be made to the ICT infrastructure such as patching, security, improving the asset register, none of the findings were “showstoppers” or items that were not known by the Councils.

- 2.3.3 It is important to note that as the main aim of the outsourcing procurement is to improve the ICT services across the organisations these items were seen to be part of that improvement process and both Councils have deemed that some are important enough to carry out this identified work before the actual service goes live. This is an appropriate decision, as the new contract has to begin from a solid base in order to produce a stepped increase in providing an improved service to the Councils.

Capita & Spring Park Visit:

- 2.3.4 Council representatives visited the Capita offices in Chippenham, as well as the Data Centre in Spring Park. At the meeting in the Capita offices, the representatives of the Council and Capita went through the overall transition plan and the team also had the chance to meet the Divisional executive officer. Throughout the visit it was clear that Capita's assurances and stated commitment to delivering both an improved but efficient and sustainable service in their response document were important to the delivery of the future service and this gave the visiting team confidence of the offer on the table.
- 2.3.5 One point to note is that the Council team had concerns that they and another organisation had had issues with another part of Capita, and specific questions were asked to ensure that the Chippenham establishment would be the one that supported the council. This has been confirmed in writing by Capita.
- 2.3.6 The Council team then went on to visit the Spring Park Data Centre facility operated by Capita's partner "ARK continuity". This data centre is a modern, environmentally friendly facility with all of the required security and hosting arrangements in place. A question was raised around supplier selection and confirmation of the sustainability of the ARK business model. The Watford Council procurement department has investigated this further with confirmation from Capita of how they select sub-contractors.

References:

- 2.3.7 The team have followed up a number of references including one in Essex and one in the PHSO. Both customers stated that they were happy with the service that Capita provides them. The only comment received is that the Councils must have some type of retained client function in order to provide a level of assurance of the outsourced provider's contractual obligations and to ensure that the provider is providing the business with what it needs and expects.
- 2.3.8 This specific point has already been raised and dealt with by both Councils.

Technical Solution and Transition Plan:

- 2.3.9 A number of meetings have been held between Capita and the Councils' ICT team to discuss the technical solution and service delivery. Both sides are happy with what they have to provide. The transition plan has been refined and agreed following discussions and it is ready to be implemented subject to completing the elements described in the Due Diligence report.

HR:

- 2.3.10 Actica has not been directly involved in the TUPE or HR matters as this has been handled by Bernard Clarke. We are aware that a number of discussions have been held, however due to mandated procedures very little can be agreed before the contract is signed. As soon as the contract is signed the formal processes can start.

Contracts:

- 2.3.11 At the time of writing, Actica has not been directly involved in a review of the contracts as this has been handled by Legal and procurement. Although it is planned that Actica will have a final review of the documents once complete. At present a number of meetings have taken place and no major issues are arising.

Commercial:

- 2.3.12 Other than the additional work mentioned in the Due Diligence report, Capita has not changed their commercial offer from their original submission.
- 2.3.13 There are plans to harmonise applications across the two councils in order to reduce duplication. A roadmap for this is currently being produced.

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3 Summary

3.1 Conclusion

- 3.1.1 The outcome of the due diligence exercise was that through the six week due diligence period both parties have investigated each other, held numerous meetings and built up a certain level of trust and confidence.
- 3.1.2 The conclusion of the due diligence exercise is that:
- a. the original Capita offer will provide the Councils with what they require;
 - b. that the existing client references have been complimentary of the services they currently get from Capita;
 - c. that overall there is no reason why this contract will not be a success .

A Checklist

A.1 Introduction

A.1.1 This annex details the information that was reviewed as part of the Councils due diligence on the supplier.

Due Diligence Checklist		
Area	Item	Description
General	Company	Organisational structure & governance mechanisms
	Company	How is the organisation set up, where does the council fit in?
	Internal processes	Effectiveness of board meetings – minutes.
	Client\Supplier	Effectiveness of account management meetings – minutes
	Risk Management	Risk register and treatment plans
	Formal References	Consult with references, site visits, data centre & head office visit.
	Staff	<ul style="list-style-type: none"> • What are the staffing levels in each business area that will be responsible for support to the councils and where will they be based? • Significant employee relations problems, past or present. • Turnover in last 2 years • Benefits \ incentives
Commercial	Financial checks : Annual Financial statements & management accounts	Financial health check .
		Review last 2/3 years – was this included in financial health check?
		Is VAT OK?
		Will capita give us a bond from the parent company?
		Pensions
		Redundancy
Legal		Insurance
		Planned vs actual costs/savings based on other council (district) contracts.
	Legal	TUPE and contracts of employment – staff implications inc contracts.
	Legal	Contract terms – any issues from our side?
	Legal	<ul style="list-style-type: none"> • Pending lawsuits (against and initiated)? • H&S issues • Equality issues • DP issues
	Property	Use of the premises – issues in this area?
	IPR	We need to consider this when checking the contract.
Technical	General	Description of any significant contracts severed within the last 2 years.
		Top 10 suppliers in last to financial years and this year so far – name, tel, email addr, amounts.
	Legal	Confidentiality agreement\NDR
	Change	Speed and nature of technological change – how often to Capita change as a company?
	Architecture	Timing of new innovation or enhancements.
Service Delivery	Access	Technical Requirements\Architecture
	Standards	What is the nature of access required - level and scope
	Security	Standards
	Systems	Compliance, Coco etc
	Assets	Mechanism for updates/upgrades, thoughts on superuser function
		discuss issues with asset database
	General	Transition planning, contract novation, 3rd Party contracts, service levels.
		Compliance with council policies and procedures
		customer expectations - change management with staff
		documentation - handbooks etc
		workshops?
	Innovation	<ul style="list-style-type: none"> • Description of this team – strategy, key personnel, major activities (examples please) • New initiatives – type and status, cost of development, technology involved, risks
	Support presence	How, how often and where will supplier staff be based - what can the customer expect in terms of visibility/accessibility
	Project work	Need a day to discuss 12/13 projects and timescales

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