*PART A

Report to: Outsourced Services Scrutiny Panel

Date of meeting: 22 October 2014

Report of: ICT Client Section Head

Title: ICT Outsourced Contract

1.0   SUMMARY

1.1   The internal ICT service outsourced all ICT service provision in May 2013 to Capita. There are currently significant issues with Capita core contract delivery identified by the client team and accepted by Capita.

1.2   This report outlines:
- Why, the decision was taken to outsource the IT Service
- How the contract is "normally" monitored and how it is currently being monitored within the recovery state
- Service Level Agreements, including financial penalties within the contract
- Current Capita resources and structure
- Issues directly affecting Councillors
- Contract finances.

2.0   RECOMMENDATIONS

2.1   Panel to note the background to the outsourcing decision;

Panel to note the areas for improvement required and that Capita has made a commitment at MD level to address them rapidly, even where this requires additional resources at a cost to Capita.

Contact Officer:
For further information on this report please contact:
Emma Tiernan, ICT Client Section Head
telephone extension: 727457 email: emma.tiernan@watford.gov.uk

3.0   Background information

3.1   In May 2011, following a request from the Joint Management Board (JMB), and with the agreement of the Joint Shared Services Committee (JSSC), the Councils procured services to conduct an independent review of the internal shared ICT service. There was clear evidence of a general dissatisfaction with the internal IT service and an inability to keep up with the demand from both Councils. It was identified by the Head of ICT at the time that there was a requirement to invest in the infrastructure, however it was the third party commissioned that was to identify the extent.

The approach used to deliver the review consisted of three stages:
- information gathering;
- analysis
- reporting.

The information-gathering stage involved holding a number of stakeholder meetings with key staff across both Councils, running a number of analysis tools on the ICT infrastructure and reviewing current IT support documentation.

3.1.1   The recommendations from the report covered the following areas (details can be found on pp2-6 of the Executive Summary – Appendix 1):

(1) The current infrastructure risks and issues
(2) Governance and management of the ICT shared service
(3) ICT service delivery
(4) IS architecture
(5) Performance management
(6) Flexible working

3.1.2   It was agreed by the JSSC and the JMB to focus on only some of these recommended areas until the future of the delivery of the shared ICT service had been decided. These were:

(1) The replacement of the essential/critically failing infrastructure
(2) The establishment of the ICT Steering Group

This work commenced in September 2011 and finished in May 2012. In parallel with replacing the critically failing server infrastructure, the Councils investigated options to outsource the internal ICT service.

3.1.3   In July 2011 as well as approving the replacement of the essential infrastructure that was failing, JSSC approved the initiation and additional budget requested by Officers for the development of the options appraisal for the potential outsourcing of the IT service.

In November 2011, JSSC approved the recommendation from JMB to progress to soft market testing the outsourcing of the entire IT service.
Other options were considered were:

- Do Nothing
- Internal investment within the existing IT service
- Outsourcing using the existing Hertfordshire County Council framework
- Full IT outsourcing (excluding hardware)
- Multi-sourcing: blend of internal and external service delivery
- Full IT outsourcing, including all assets

The investment within the internal service option was discounted at the time as an increased budget would be required. For full details of the options appraisal, see appendix 2.

In March 2012 following some soft market testing and the completion of the requirements specification for the IT service, JSSC approved officer's recommendation to procure IT services via a dual procurement route.

The procurement routes were via the Hertfordshire County Council framework agreement, of which SERCO was the only supplier at that time, as well as procurement using the GPS (Government Procurement Services) framework, which includes several national suppliers, such as, Capita SIS (CSIS), Northgate and Civica, among others.

3.1.4   Actica Consulting was appointed to develop the Councils' requirements specification in consultation with both Councils and the Invitation To Tender was advertised in June 2012.

The invitation to submit bids closed on July 9 2012. Four bids were received and evaluated by a panel consisting of:

- Head of Strategic Finance (Watford)
- Head of ICT Shared Services
- Infrastructure Manager (Shared Services)
- Service Desk Manager (Shared Services)
- ICT Business Manager (Shared Services)
- Corporate Procurement Manager (Watford)
- Finance representative (TRDC/ Shared Services)
- Legal representative (Watford)
- Director Community and Environmental Services (TRDC)
- Head of Service (Watford)
- Service Manager (Watford)
- Director of Corporate Resources and Governance (TRDC)
- Customer Services Manager (TRDC)

The Evaluation Panel was split into 3 groups to undertake the evaluation of tenders and a Moderator Group was also established. Actica Consulting acted as facilitators throughout the evaluation process.

3.1.5   In Sept 2012, JSSC approved a report from the Evaluation Panel detailing the evaluation and recommendations of the outsourced bids submitted. It agreed that due diligence should commence with preferred bidder CSIS which was awarded preferred bidder status with Northgate as reserve.

Throughout October and November 2012 pre-contract (sales) due diligence commenced and reference sites were visited. Members should note that Actica also conducted their own due diligence of the process undertaken by both the Councils and CSIS.

3.1.6   In Jan 2013 after successfully completing the due diligence processes, CSIS presented to the JSSC areas that their IT Service would improve, specifically:

- The stabilisation of the ICT Service
- The introduction of Innovation Forums
- The use of a wide range of Cloud Computing Services

3.1.7   Transition activity took place throughout early 2013, with the start of contract date being 1 March 2013. The CSIS IT Service became effective on 20 May 2013.

3.1.8   The Councils agreed to retain ownership of all assets, hardware and software licences and no hardware, software or project management costs were included in the transition to Capita. These remain ongoing costs to the Councils.

3.1.9   Since outsourcing the service to CSIS, a number of the due diligence issues identified have been addressed either through specific and chargeable projects using existing budgets, or through the managed service contract:

- PSN (Public Services Network) accreditation was achieved late 2013. Due to the large scope of this project, the Councils achieved both the accreditation, and the resolution of other risks and issues. All remedial actions were completed in relation to the IT Health Check in 2013.

- An asset audit was conducted as part of the transition to Capita

- PCI (Payment Card Industry) compliance. Aspects of this compliance regime have been met.
- The link between WBC and TRDC networks was upgraded to an appropriate size pipe.

3.10   Approval for additional capital budget to deliver the Modernise IT programme has been approved by Watford Borough and Three Rivers District Councils within 2014.

3.2   Performance – IT Service

3.2.1   Watford as the lead provider, under the lead authority model, escalated IT core contract performance issues formally in March 2014. Since then Capita have recognised, accepted and committed to recovering the depleted position of the IT service. This poor service provision is impacting a number of areas of delivery including Modernise IT, outstanding audit recommendations etc.

3.2.2   The Council's client team has completed a gap analysis between the commitments in the delivery of the core contract and the reality of users' experience. Capita SIS has undertaken to resolve these issues and the core team have required Capita SIS to provide evidence of the performance of their services to substantiate when the service has reached the desired and contracted

standard.

3.2.3   CSIS' s high level performance is being monitored through strategic account meetings held monthly between Manny Lewis and Spencer Clarkson, CSIS Managing Director. The Cabinet Portfolio holder for Resources is kept fully briefed.

3.2.4   There are 5 core Key Performance Indicators which are:
- Desktop Availability
  - 100% achievement of availability target of 99.5% within Core Hours which are 08:00 – 18:00 Monday to Friday excluding public holidays
- Application Availability
  - 100% achievement of availability target of 99.5% within Core Hours which are 08:00 – 18:00 Monday to Friday excluding public holidays
- Customer Satisfaction:
  - 5.65 on a scale of 1 to 7. Capita will conduct a monthly customer satisfaction survey which surveys 20% of Councils' staff who have used the Help Desk Services during this period.:
- Helpdesk Response Times to high, medium and low priority calls
  - 99% of responses to be met as follows:
    - High priority – 15 minutes
    - Medium Priority – 30 minutes
    - Low Priority – 30 minutes
- Fix / Resolution Times to high, medium and low priority calls
  - 95% of Fixes/Resolutions to be met as follows::
    - High priority – 2 hours
    - Medium Priority – 4 hours
    - Low Priority – 8 hours

3.2.5   If Capita's services fail to meet the requirements of both Councils then the Councils reserve the right to withhold an element of the monthly contract charge for these areas.

- the availability KPI

- the high priority response time KPI

- the customer satisfaction KPI

3.2.6   The Council's core team have been concerned that key performance management information has not been adequately supplied to them with inaccuracies, gaps in the information and some reports not provided at all. This critical area is under close review by the Councils core team and is a key element in the Account Recovery programme.

The reasons for Capita's poor performance include:

a) Capita did not complete all transition activity successfully;

b) CSIS under-estimated the scale of legacy under performance of systems and TUPE'd staff and did not act on due diligence sufficiently thoroughly;

c) CSIS were slow to restructure the inherited staff and is only now putting in place a new permanent team;

d) the account management and service desk management has not been good enough and both areas have seen changes made as a result;

e) CSIS have not provided sufficient business applications support needed for our account eg Academy.

In all cases CSIS is now responding. Capita is currently making a loss on the contract. Despite this they are committing additional resources to address the issues.

Capita anticipates a significant level of recovery of the contracted Service by end of 2014 and substantial progress on delivery of infrastructure improvements by 31 March 2015.

3.3   Governance

3.3.1   The following meetings have been taking place to monitor the delivery of the managed service:
- Monthly service review meetings
- Monthly account management
- Fortnightly project board
- Twice weekly change control board
- ITSG (IT Steering Group) meet every 5 weeks (For full terms of reference see appendix 3)
- Regular review meetings with the Portfolio Holder for ICT.

In addition to the more formal arrangements, there have been many informal meetings, including three weekly discussions to look at escalations from users. The Councils' client team track escalations from users, and complaints.

3.3.2   Following the introduction of the "Account Recovery" position, the following additional meetings are taking place:
- Weekly account review meetings
- Twice weekly account recovery project meetings
- Fortnightly account recovery – Updates to Joanne Wagstaffe

3.3.3   The new CSIS Management team consists of the following (as of June 2014):

The Service Delivery Manager:
- Dedicated to the W3R account
- Responsible for the day to day service delivery, including the team,

processes and
- client management liaison

The Account Director:
- Dedicated to the W3R account
- Responsible for the day to day client contact for all commercial and contractual issues
- Is the escalation point for any service delivery issues
- Acts as the key interface to Programme & Project Managers
- Provides the access to CSIS Senior Management
- Leading Account Recovery day to day work

Local Government Sector Director:
- Support and escalation point for Account Manager
- Overall responsibility for W3R account via Account Manager
- Direct access to CSIS and CAPITA senior management

3.3.4   See appendix 4 for details of the current Capita staffing model for the W3R account. Please note all resources under "Service Delivery Manager" are those contracted on the account. The other resources are project related and are part of the Modernise IT cost.

3.4   Contract Finances

3.4.1   An outstanding contractual issue has been the calculation of the base number of users from March 2013. This figure is key, as it is used to calculate the level indexation applied to the core contract charges.

This figure has now been agreed and the Council will be credited for a reduction in the core contract charge for 2014.

3.4.2   In addition to this there were a number of contracts that Capita should have absorbed as part of the core service delivery and these figures and arrangements are currently being finalised. For example server maintenance costs.

3.4.3   Members should note that the Councils' client team has initiated a review of all Capita spend since May 2013 and in addition to this Price Waterhouse Cooper will be evaluating all contract costs including the IT Service later this year.

3.5   PSN and Security

3.5.1   Additional security is likely to be the area where Councillors see changes in the way they work. PSN (Public Service Network).

This has been previously known as GSI (or GCSX) and has been in place since 2009. This is a secure and trusted network over which the Councils transfer various pieces of information and data to other trusted public sector organisations e.g. DWP.

This is an annual accreditation requirement and the responsibility lies with the Council for the accreditation, however it is Capita that delivers the work on our behalf.

3.5.2   The most significant change to the way we work is the use of connecting

"unmanaged" end user devices to the Councils' network. The current policy allows members of staff, and Councillors to use their "home" PC or laptop to connect via Appgate (our home-working solution) to access the Councils network. This is currently under review within the Modernise IT programme.

4.0   **IMPLICATIONS**.

4.1   **Financial**

4.1.1   There are no financial implications within this report.

4.2   **Legal Issues** (Monitoring Officer)

4.2.1   There are no legal implications within this report.

Appendices

Appendix 1

IT Strategy – Actica Consulting

Appendix 2

IT Outsourcing options appraisal document – Actica Consulting

Appendix 3

IT Steering Group Terms of Reference

Appendix 4

Current Capita local structure