Body:	**Cabinet**
Date:	**25 May 2016**
Subject:	**"Stronger Together" Joint Transformation Programme Business Case and Implementation**
Report of:	**Chief Executive and Senior Head of Projects Performance and Technology**
Ward(s)	All
Purpose	To approve the Business Case and implementation of the Joint Transformation Programme
Decision Type:	Key Decision

Recommendation: It is recommended that Cabinet:

(1) Approves the business case for the Joint Transformation Programme and provisionally allocates a total of £6.878m to the programme (para 4.4).

(2) Delegates authority to the Deputy Chief Executive to determine the appropriate allocation of costs against revenue and capital funds (para 4.5).

(3) Delegates authority to the Deputy Chief Executive, in consultation with the Joint Transformation Programme Board, to determine to determine the methodology for cost and benefits sharing with an overriding principle that joint costs are allocated on the basis of the benefits realisation ratio (para 4.6).

(4) Delegates authority to the Chief Executive in consultation with the Joint Transformation Programme Board to run the Programme within the allocated resources, reporting to Cabinets regularly (para 5.1).

(5) Approve the high level programme plan (para 5.3).

(6) Approve the shared services employment model with Eastbourne Borough Council acting as host authority (para 5.4).

(7) Approve the procurement approach and contract variation outlined in this report including the exceptions to contract procedure rules and the proposed changes to information and communications technology service provision and delegate authority to the Deputy Chief Executive in consultation with the Joint Transformation Programme Board to negotiate the associated cost of pension protection with the service provider (para 5.10 to 5.13).

(8) Approve the adoption of the proven 'Digital 360' platform as the basis for the Joint Transformation Programme, subject to procurement (para 5.12).

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1.0   Executive Summary

1.1   In October 2015, Cabinet approved a strategy for the development of shared services between Lewes District Council (LDC) and Eastbourne Borough Council (EBC) based on the integration of the majority of council services.

   This report asks Cabinet to approve the detailed business case, high level plan and technology arrangements for the implementation of that strategy, known as the Joint Transformation Programme ('the Programme').

1.2   Strategic Case and Objectives Summary

   Both councils have significant savings to deliver over the next four years and therefore need to find new ways to deliver public services, for less money.

   More than **400 councils nationally are sharing services** to deliver efficiencies, and LDC and EBC have a **strong established relationship**, having shared senior posts and services since 2012.

   Therefore, our four strategic objectives of the Programme are:
   - **Protect services**
     Protect services delivered to local residents while at the same time reducing costs for both councils to together save £2.8m annually
   - **Greater strategic presence**
     Create two stronger organisations which can operate more strategically within the region while still retaining the sovereignty of each council
   - **High quality, modern services**
     Meet communities and individual customers' expectations to receive high quality, modern services focused on local needs and making best use of modern technology
   - **Resilient services**
     Building resilience by combining skills and infrastructure across both councils

1.3   Financial Case Summary

   The total estimated savings of the Programme as a whole is £2.797m with an equivalent reduction of 79 FTEs across both councils. LDC will achieve a higher share of the benefits than EBC because EBC has already delivered significant savings through its Future Model programme and the Joint Transformation Programme inherits the savings target from LDC's cancelled New Service Delivery Model programme.

   The total budget for the programme is £6.878m of which £1.275m was already allocated for technology investment that would be required anyway. Therefore the investment required specifically to deliver the Programme is £5.603m. This meets the financial business case test.

   Costs and benefits will be shared in the same proportion.

1.4　　　<u>Management Case Summary</u>

The programme will be managed in accordance with standard programme and project management methodologies. The Joint Transformation Board will oversee delivery, monitor risks and be consulted on key deliverables and decisions, and Cabinets will receive regular updates.

The recommended employment model, having reviewed a number of options, is a shared services model with Eastbourne Borough Council acting as the host authority.

The programme depends on a common approach to information and communications technology (ICT) strategy and service provision, and a number of options have been considered to deliver this. The recommended option is for application management to be performed by a joint internal team and to vary EBC's contract with SopraSteria Ltd to provide infrastructure management services to LDC.

It is also recommended that the Digital 360 platform in use at EBC is extended to LDC, subject to commercial and procurement matters being settled satisfactorily. This means that LDC will benefit from the significant investment EBC has already made in that platform.

Legal and procurement advice has been sought on these matters and is detailed in the main body of the report.

2.0　　　**Approach to Developing the Business Case**

2.1　　　A joint team of officers across the two councils (the 'Core Team') have worked with Ignite Consulting Ltd to develop the business case presented here.

The work has involved a number of workshops involving staff from different teams and levels of both organisations to explore the vision, opportunities, similarities, differences and risks of the shared services programme. Activity mapping and analysis has been used to inform the savings estimates, and Ignite has also applied learning from its experience of working with other councils on similar programmes. Further information about the approach taken can be found in the business case at Appendix One. **The engagement with staff that started during the development of the business case will continue and increase throughout the implementation of the Programme.**

Improvement and Efficiency Social Enterprise (iESE), the authors of the outline business case considered in October, also contributed to the work around the employment model. iESE is a non-profit company made up of members and directors in local authorities, including LDC and EBC, which means we are working with a trusted partner with an excellent insight into how councils across the UK have delivered shared services using a range of models.

The work on the business case has been monitored and steered by the Joint Transformation Programme Board, which consists of the leaders and deputy leaders and the leaders of the main opposition groups of both

councils. This cross-party approach is key to ensuring the maximum degree of consensus in the way the work is directed, and minimise the risk of a radical shift in direction part way through implementation.

2.2   In line with Treasury's Green Book Guidance for public sector Programmes, both the business case itself and this report are divided into sections outlining:

- The Strategic Case – to demonstrate how the Programme fits with the local and national strategic context and how it meets business needs.
- The Financial Case – to outline the costs and benefits of the Programme, the capital and revenue implications and the funding required.
- The Management Case – to outline how the Programme will be managed, including governance, risk, change management, external support and benefits realisation.

Some Green Book business cases include separate sections for the Economic Case and the Commercial Case. These are merged with the Financial Case and the Management Case respectively here.

3.0   **The Strategic Case**

3.1   National Context

Local authorities have been at the forefront of the Government's austerity Programme since 2010. Both LDC and EBC have already made significant savings in recent years, but following the most recent local government funding settlement, in which both councils were amongst the 10% hardest hit councils, significant further savings are required. The Revenue Support Grant will be phased out altogether by 2019, and the reductions in funding will hit earlier in the current parliamentary cycle than anticipated.

At the same time as facing unprecedented reductions in funding, councils nationally are also responding to changing customer needs, requiring them to engage with an increasingly technology-capable population, whilst at the same time dealing with an ageing infrastructure.

These challenges necessitate a radical review of the way councils currently operate – an operating model that delivers a customer centric, effective and efficient way of providing local government services.

Many councils, especially smaller councils, are increasingly looking to work together and share services to deliver sustainable savings. The LGA cites 416 shared service arrangements nationally, estimating £462m in efficiency savings across all aspects of local authority expenditure[1]. The national context points towards ever greater integration and collaboration in search of efficiencies and customer benefits for the long term.

3.2   Local Context

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[1] http://www.local.gov.uk/shared-services-map

The national trend towards shared services and collaboration, as well as looking at ways to exploit modern technology to redesign services, is reflected in the increasingly close strategic relationship between LDC and EBC. This manifests itself in three ways:

1. Existing shared service arrangements

   LDC and EBC have been working together to share resources and expertise since 2012. There are currently three shared senior management roles, including the joint chief executive, two fully shared corporate services (Legal and HR) and a number of other individual arrangements.

2. Common strategic priorities

   The councils share a number of strategic priorities:
   - Regeneration to attract inward investment and boost employment, e.g. Devonshire Park, Sovereign Harbour and the town centre in Eastbourne, and North Street Quarter and the Newhaven Enterprise Zone in Lewes district.
   - Working collaboratively with local communities through positive engagement with neighbourhood panels, residents associations, town and parish councils.
   - Protecting and enhancing service delivery by investing in new technologies and focussing on resolving customer enquiries at the earliest possible point.

3. Shared vision for service redesign

   EBC, through the Future Model, and LDC, through the intent of the New Service Delivery Model, have shown that both councils share a common view of the principles on which services should be redesigned, based on the following principles:
   - Managing and reducing customer demand
   - Delivering as much customer service as possible through a universal contact method
   - Drawing on expert skills and knowledge only where appropriate
   - Managing the organisation in an efficient and streamlined way

Financially, the business transformation represents the biggest single contributor to both councils' medium term financial strategies:

	2016/17	2017/18	2018/19	2019/20
Lewes transformation savings target	£400k	£400k	£400k	£400k
Eastbourne transformation savings target	£250k	£500k	£250k	£250k

3.3   The Joint Transformation Model as the basis for integration

The Joint Transformation Model (applied in EBC as the Future Model, and adopted in principle in LDC as part of the New Service Delivery Model, hereafter simply 'the Model') provides a common direction and platform that fits the national and local context. It will:

1. Build on the existing work in LDC and EBC to create a new, shared operating model based on common principles.
2. Create a common organisational culture focussed on delivering positive outcomes and experiences for customers.
3. Exploit modern, digital technologies to automate, streamline and improve access to council services.
4. Build more empowered and resilient teams and services.

Adopting the Model in LDC will deliver significant savings by fully embedding the work started through the development of the NSDM. Subsequently it provides a common language and basis for economies of scale through true integration with EBC. Integration is critical to real sustainability as the financial opportunities are higher and the strategic benefits are greater than implementing the Model separately.

3.4   The Programme will make a significant contribution to both councils' Medium Term Financial Strategies and support the councils' goals to deliver excellent, efficient and modern services rather than cutting service levels simply to reduce costs. It will create a new, flexible and resilient organisation with a high regional profile.

4.0   The Financial Case

4.1   Projected Savings

The financial case analyses the savings that can be achieved by applying the Model to LDC, and by integrating LDC and EBC management and service delivery.

There are 223.4 full time equivalent (FTE) roles in scope at LDC with a current cost of £7.770m.

There are 206.1 FTE roles in scope at EBC with a current cost of £6.752m after the transformation of EBC services under the Future Model Programme.

The baseline for the Programme is therefore 429.5 FTE roles at a combined cost of £14.522m

The total estimated savings of the Programme as a whole is £2.797m with an equivalent reduction of 79 FTEs across both councils.

In the business case at Appendix One, the savings are broken down in more detail, by efficiency driver and activity type.

4.2   Scope of the Business Case

The scope of the business case is, in broad terms, the customer facing activity of both councils. The key exclusions are:

- Waste service delivery (outsourced at EBC, and subject to a strategic investment Programme at LDC) – some elements of management, customer service and administration have been included.
- Devonshire Park at EBC, including Theatres and Heritage.

Benefits from integration of corporate support services are also excluded from the business case, as they are already being planned or delivered as shared services across the two councils:

- IT (partially outsourced at EBC)
- Finance
- HR
- Legal
- Property

Although excluded from the business case, further savings should be accrued over time from the integration of corporate support services. It is important to understand that exclusion from the business case does not mean exclusion from the Programme – the overall programme will control and steer all integration activity.

4.3   Costs of the Programme

The Programme will be the biggest integrated change programme either council has undertaken. It will involve:

- The creation of a single senior management team operating across both councils.
- Reviewing current pay scales and structures and potentially adopting a new joint pay and grading system.
- Redesigning and integrating the technology infrastructures of both councils.
- Significant investment in new technologies, both hardware and software.
- Creating a new target operating model for 350 staff working in joint teams.
- Building hundreds of integrated business processes for the joint teams, based on harmonised policies, driven by common technology.
- Significant cultural change to ensure staff exhibit the same core competencies and customer-centric attitudes and behaviours.

A high level view of the Programme, which includes more than 30 projects across six major work streams, is provided at Appendix Two.

A programme of this scale and complexity requires significant investment in programme and project management, delivery of project activity, technology and specialist support and advice.

A full net present value calculation on the Programme costs is presented at Appendix Three.

A summary of the non-discounted costs and benefits is presented below:

Direct programme costs	£5.603m
Existing allocated technology investment	£1.275m
Total programme budget	£6.878m
Business case savings	£2.797m
Payback period (all costs)	2.5 years
Payback period (excl. existing allocated costs)	2 years

4.4   Business Case

It can be seen that a significant investment is required to deliver the Programme. **In total the Programme will cost £6.878m, of which more than half is investment in new technologies.**

Some of the investment has already been allocated and would be required anyway, for example to replace LDC's end of life housing system, to upgrade LDC's finance system or to upgrade desktop devices across LDC and EBC. This investment, which totals an estimated £1.275m, can therefore be discounted against the core business case.

A financial business case test for a programme such as this would typically be 3-5 years. Allowing for all costs, the payback for this programme is 2.5 years. If one deducts the £1.275m of already allocated costs, the payback reduces to just two years.

The business case does not take account of redundancy and redeployment costs. This is because, due to the scale of the reduction in funding, these costs would be inevitable in any case. However, the Programme will seek to minimise these costs through careful management of vacancies as they arise.

Recommendation: Cabinet is asked to approve the business case for the Joint Transformation Programme and provisionally allocate a total of £6.878m to the programme.

4.5   Funding

It is proposed to fund the capital and one off revenue costs from a mixture of capital receipts, prudential borrowing and reserves and with the ongoing revenue costs coming from the efficiency savings generated. Both councils have existing earmarked sums which will be used to contribute to the Programme, including:

- LDC funding that was allocated for the New Service Delivery Model Programme in November 2014
- EBC strategic change fund
- EBC IT capital block allocation

Recommendation: Cabinet is asked to delegate authority to the Deputy Chief Executive to determine the appropriate allocation of costs against revenue and capital funds.

4.6 <u>Cost and Benefits Sharing</u>

It is important that there is a fair, rational and transparent mechanism for allocating costs and benefits of the Programme to each council. The Deputy Chief Executive will oversee this work, and recommend the approach to the Board.

EBC has delivered more than £1.5m of savings already through the implementation of the Model. This Programme inherits LDC's savings target from the New Service Delivery Model programme (£1.2m) and then targets additional savings for both councils from integration. This means that LDC will benefit from a higher share of the overall programme savings and will therefore bear a higher share of the costs, in a similar ratio. At this stage, it is anticipated that the split of costs and benefits will fall 60:40 LDC to EBC.

Recommendation: Cabinet is asked to delegate authority to the Deputy Chief Executive, in consultation with the Joint Transformation Programme Board, to determine to determine the methodology for cost and benefits sharing with an overriding principle that joint costs are allocated on the basis of the benefits realisation ratio.

5.0 The Management Case

5.1 <u>Governance</u>

A Programme of this scale requires robust governance and oversight.

The Programme Board will provide members with the ability to track the Programme's progress. Key Programme deliverables will be signed off by the Board. Examples include, but are not limited to:
- Changes to governance arrangements for shared services
- Recommendations around policy alignment
- The target operating model
- Arrangements regarding voluntary redundancy and vacancy management

The Board would also be required to consider any significant changes to scope or delivery timeframes.

Cabinets of both councils will receive regular updates on progress, at a minimum of four-monthly intervals. Any significant changes to the business case would require approval by both Cabinets.

Corporate Management Team (CMT) will receive Programme status reports no less than once every two months, and with greater frequency as required during key times.

Recommendation: Cabinet is asked to delegate authority to the Chief Executive in consultation with the Joint Transformation Programme Board to run the Programme within the allocated resources, reporting to Cabinets regularly.

5.2 <u>Programme Management</u>

The Programme will be managed in accordance with formal programme and project management techniques and standards. This will include, but is not limited to:

- Programme and project initiation documents that define the scope and key deliverables for each project.
- Programme and project plans
- Product breakdown structures
- Programme and project risk logs and active risk management
- Programme and project highlight reports
- Exception reporting
- Benefits tracking and realisation
- Customer & Stakeholder Engagement

A member of CMT will be nominated as the Programme Director. An overall programme manager will be appointed and major technology projects, such as system migrations or significant infrastructure changes, will have dedicated project managers.

The approach to resourcing the Programme has been informed by lessons learned through EBC's Future Model programme, and there is a clear desire for the councils to develop a highly-skilled, properly resourced internal programme team, and minimise the amount of work that is done by external contractors. This is for several reasons:

- To ensure that the councils are owning the design and development of new processes and customer journeys
- To provide development opportunities for staff
- To minimise the impact on 'business as usual' service delivery
- To keep Programme costs lower

The programme team will consist of 15-20 FTEs and will change depending on programme needs and project activity. These are fixed term roles that are additional to the councils' permanent staff base.

5.3   Programme Plan

The Programme consists of more than 30 projects across seven work streams, running from 2016/17 to 2019/20. A high level view of the programme plan is provided at Appendix Two.

- **Technology – New/Replacement Systems**
  Projects in this workstream will deal with replacing existing systems with new joint systems (e.g. housing), implementing brand new systems and migrating one council to the other council's system (e.g. finance)
- **Technology – Infrastructure**
  Projects in this workstream will focus on integrating the two councils' information and communications technology (ICT), building resilience (e.g. disaster recovery and backups) and replacing end of life systems (e.g. desktop replacement)
- **Shared Corporate Services**
  Work on integrating ICT, property and finance will sit within this

workstream.

- **Organisation Design and Change Management**
  This workstream will manage all aspects of the change focussed on people – delivering the Target Operating Model, recruitment processes, pay and grading, team building, transition, knowledge and skills and ways of working.
- **Business Process Migration**
  This workstream will determine the sequence and priority of developing new joint processes and customer journeys, delivery of online processes and the creation of golden customer records.
- **Partnership Strategy**
  Develop an overarching strategy for the new working arrangements to cover aims, objectives, working principals, governance, integrated provision and commissioning, staffing arrangements and other issues such as document management and data sharing. This workstream also includes the review and alignment of key policies across the councils, tracking performance through the change, reviewing ongoing governance of services and will also include the work around allocation of costs and benefits.
- **Programme Management**
  This includes programme planning, programme governance, communications and benefits realisation.
- **Customer & Stakeholder Engagement**
  Introducing changes in delivery-level public services critically depends on consulting with services users and achieving a deep understanding of citizens' needs and expectations. The programme will also depend on gaining buy-in from other stakeholders and partners.

Recommendation: Cabinet is asked to approve the high level programme plan.

5.4 <u>Employment Model</u>

There are a number of models local authorities have adopted when coming together to share services. The councils asked iESE to undertake a review of the pros and cons of different models:

1. Shared Services
2. Public Sector Mutual
3. Local Authority Trading Company
4. Outsource / Joint Venture

Members on the Programme Board have considered the options as presented by iESE and noted the additional risks identified in models 2-4. Accordingly, the recommendation is to adopt the shared services model, with staff transfer to a single 'host' authority.

The Board also recommended that EBC act as the host authority, given EBC's role as host of the shared HR service. It has furthermore recommended that the shared HR service be tasked with reviewing the pay and grading systems of both councils with a view to recommending the most suitable pay and grading structure, either new or existing, for both councils.

Recommendation: Cabinet is asked to approve the shared services employment model with EBC acting as host authority.

5.5   Change Management

The transition to the Model will entail a significant amount of change for both organisations. High quality change management is required to ensure that:

- We engage staff in building a unified organisational culture, focussed on delivering for our customers.
- Changes made to processes and staff structures are in line with the principles of the Model and the assumptions built into the business case.
- Staff are supported through all the changes, whether they are to systems, processes, culture or roles.

Both councils have dedicated and talented staff, many of whom have been engaged in the workshops that have fed into the business case, and who will be involved in further sessions to develop new joint processes in line with the Model.

Full implementation of the Model, supported by an integrated technology platform will require further changes to roles and responsibilities across both councils. Where redesign and significant changes to roles are proposed, we are committed to supporting staff to shape and understand these new roles, and the skills and attitudes that will be required to succeed in them. All proposed changes will be subject to full staff consultation. Costs to provide effective support to staff during the period of change and transition are reflected in the overall programme budget.

5.6   External Support

Notwithstanding the councils' commitment to growing and developing our own internal resources to deliver the Programme, there are areas of activity where external support will be required:

- **Organisation Design and Change Management**
  It is anticipated that this will be delivered in partnership with Ignite Consulting Ltd. Ignite developed the Future Model and has been a key delivery partner for EBC and other councils adopting the same approach. Ignite are a change management consultancy and have an excellent track record in helping organisations to deliver wide scale transformations and performance improvements.
- **Technology – New/Replacement Systems**
  All new systems or system migrations require support from the system provider to implement them successfully. Therefore the technology costs in the Programme include both software purchase costs and implementation support services.
- **Technology – Infrastructure**
  Integrating and upgrading core ICT infrastructure to support the wider programme will involve advanced capabilities that don't exist within the councils. EBC's contract with SopraSteria Ltd has provision

for them to deliver significant ICT transformation, and EBC has previously worked successfully with SopraSteria Ltd on the delivery of its award-winning Agile Working Programme, which included significant ICT infrastructure change. It is anticipated that SopraSteria Ltd will be a key delivery partner for infrastructure change.

5.7   <u>Risk</u>

All changes programmes of this scale involve risk. A detailed risk log has been developed and mitigation will be put in place. The risk log will be actively monitored, managed and updated throughout the Programme.

The most significant risks and high level mitigations are outlined in the table below:

Risk	Mitigation
Disruption to staff	• Ensure programme is properly resourced to limit the impact on business as usual operations. • Ongoing staff engagement and communications programme. • Package of support built in to programme.
Delays to programme implementation timetable	• Recruit dedicated programme team plus external support where required. • Robust programme management and governance.
Failure to meet business case due to increased costs and/or reduced savings	• Realistic programme budget with some contingency. • Clear accountability within the Programme team for service design decisions and benefits realisation.
Inability to deliver integrated, shared technology solutions on time	• Benefits profile reflects closer integration over time. • Building on known technology platforms. • Specialist integration resources built into Programme.
Drop in service performance during implementation of changes	• Identify and track key performance indicators. • Ensure programme is properly resourced to limit the impact on business as usual operations. • Communicate with customers before and during key periods of change.
Issues of governance, territory and the surrender of individual control means that there is failure to achieve and/or maintain member consensus on key policy matters affecting the Programme.	• Development of a shared partnership agreement • Cross-council and cross-party membership of Joint Transformation Programme Board. • Early consultation with members on 'red lines'. • Regular dialogue with members

	throughout, via the Board and Cabinet updates.
Failure to understand customer requirements means the programme would deliver processes and services that the customer didn't want or need.	• Ensure that all service redesign work is carried out with an in-depth understanding of the customer (both internal and external), and all processes are designed with the customer at the centre.

5.8   Benefits Realisation

One of the high level risks to the Programme is that we fail to deliver the anticipated benefits, whether in terms of efficiency savings, cultural change or service improvement for customers.

For this reason, it is important that benefits are tracked carefully throughout the Programme, and this activity will sit within the programme management work stream. Both the Programme Manager and Ignite, as 'guardians' of the Model, will have an important role to play in ensuring that the councils hold true to the principles and underlying assumptions of the model and business case, and clearly articulate the consequences, financial or otherwise, of failing to hold true to these.

5.9   One Senior Management Team

It is essential that the councils have a single senior management team with a clear vision and a shared commitment to the Model from the early stages of the Programme.

For that reason, one of the earliest programme activities will involve the restructuring of key senior management and strategic roles across both councils. This is also an important driver of the year one savings.

The restructuring of the corporate management team (CMT) will be led by the Chief Executive, and will be completed by mid-summer. This will be followed by restructuring of a number of second tier management roles, and certain key strategic functions, to be completed by the end of the year.

Members will be involved in the appointment to all chief officer roles.

5.10   One Information and Communications Technology (ICT) Service

Given the amount of technology driven change in the Programme, it is also essential that a common model of ICT service delivery is in place as early as possible, working to deliver a clear joint ICT strategy. The risk of trying to deliver the Programme under the current arrangements, with different managers, teams and approaches, would be significant.

A joint ICT strategy has been developed and reviewed by both councils' ICT

teams. However, the two councils currently operate different models for the ICT service. LDC has an entirely in-house service whereas EBC has a hybrid service, with systems support in-house and infrastructure management (service desk, desktop, network and server support) delivered by SopraSteria Ltd in a contract due to end on 31 December 2021.

Three options for the creation of a common ICT service have been considered:

1. **Cancellation of EBC's contract with SopraSteria Ltd and transition to fully in-house service**

   The current contract does not include any rights of termination for convenience without cause by the council. Therefore termination for convenience would need to be introduced via change control and subject to SopraSteria Ltd's mutual agreement. The minimum cost would be to pay off the remaining years of the contract, at a total of £3.7m.

   In addition to this, there would be a range of additional charges to migrate to the in-house service, likely to be at least a six figure cost. This option would effectively negate the entire business case and is not recommended.

2. **Vary the SopraSteria Ltd contract to enable similar services to be provided by SopraSteria Ltd, through EBC, to LDC**

   This option has been extensively discussed and outline costs have been determined. This would entail the transfer of some members of the existing LDC ICT team to SopraSteria Ltd, under the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE). The number of individuals affected would be likely to be three or four.

   The legal implications of this option are discussed below.

   This option would see SopraSteria Ltd provide a single point of contact, with 24/7 call logging, for all ICT services across EBC and LDC. LDC would benefit from a range of services not currently provided, including industry standard approaches to managing ICT services. A significant proportion of issues raised would be resolved as 'first time fixes' by the SopraSteria Ltd service desk, negating the need for in person visits by on-site staff. The councils would benefit from a highly resilient ICT support infrastructure provided and managed by SopraSteria Ltd centrally, whilst retaining on-site presence in both Lewes and Eastbourne.

   This option would increase the overall ICT service cost across EBC and LDC by around £100k per annum (around 4% of the combined service costs).

3. **Vary the SopraSteria Ltd contract to deliver a hybrid model based on SopraSteria Ltd acting as 'managing agents'**

This option would see the existing on-site SopraSteria Ltd team in EBC TUPE transfer to the council and be combined with the existing LDC infrastructure team. SopraSteria Ltd would operate as the Councils single point of contact that will manage, monitor and report on all services provided by in-house teams and third parties in relation to the full end to end ICT service delivered to the councils. But the councils would be responsible for actually employing the staff who are managing and delivering the infrastructure management services.

This option is not one which SopraSteria Ltd have delivered elsewhere, and they view it as a significant change to the purpose and nature of the contract and have indicated that after due consideration, they would be not be willing to proceed with this option. As such, this option is not recommended.

5.11 Risks and Legality of Option 2

Based on the above analysis, the only viable option to deliver a common ICT service is Option 2 – a hybrid model where systems support remains with the councils and infrastructure management is delivered by SopraSteria Ltd.

It is clear that Option 2, like Option 3, entails a change of scope to the SopraSteria Ltd contract and so there is a risk that EBC and/or LDC might face a legal challenge as to the change being made.

However, justification for this type of modification is acknowledged and catered for in the Public Contract Regulations 2015. These recognise (Regulation 72 (1)(b)) that contracts may be modified without a new procurement procedure where a change of contractor would involve significant duplication of costs and would cause significant inconvenience. This would be the case here as the JTP would be delayed whilst a new procurement exercise took place. This would prevent the councils from delivering the savings required by the MTFS. The increase in price involved in the change would not exceed 25% of the value of the original contract. (The Regulations permit an increase of up to 50%)

Therefore, after careful consideration of the options, and based on clear legal advice, the recommendation is to adopt Option 2.

It is proposed that the Council mitigates the risks of a challenge by issuing a Voluntary Ex Ante Transparency Notice (VEAT), which sets out a short description of the proposed new arrangements and the justification for not going through a new OJEU procurement. This gives an economic operator a short window in which to challenge the proposed arrangements, after which the opportunity to challenge is lost. There is still potential for a claim in damages to be made, but again the window of opportunity for such a claim is small (30 days).

It is intended that the parties will enter into a collateral agreement which sets out the course of action to be followed in the event of any challenge being made to the proposed arrangements.

5.12   One Digital Platform

The core technology which supports the delivery of the Model is a digital platform which includes:

- Workflow to ensures the correct tasks are sitting with the correct teams within the new model and to automate key tasks to drive efficiencies
- Electronic document management, to ensure all teams can work in a paperless, flexible and mobile fashion
- Customer relationship management, to provide a single customer database against all enquiries are logged, enabling the new teams to have a single view of the customer
- Digital portal and online forms to enable most enquiries to be submitted and tracked online, triggering workflow automatically and linking to the customer record
- Mobile tools to enable locality teams to pick up and progress tasks when out of the office

EBC has invested significantly in Civica's Digital 360 platform to deliver these components. Given the investment and the learning EBC has undertaken, there is a strong argument to extend this platform to LDC, so that the EBC processes can be used as a starting point for new joint processes.

However, new technologies are now being used which were not available when EBC selected the Civica platform, and the core team were asked by the Board to carry out an assessment of a platform that has been adopted by Adur and Worthing Councils, involving the use of Salesforce CRM and MATS low code platform, both modern cloud-based systems very different from those on offer from the large local government software suppliers.

This work was undertaken by a joint team and a report delivered to the Board. The Board concluded that in order to minimise risk, achieve maximum benefit in the shortest time and for LDC to benefit from the work already done by EBC, the best approach was to continue to build on the Digital 360 platform, assuming an acceptable commercial agreement can be reached.

Recommendation: Cabinet is asked to approve the adoption of the proven 'Digital 360' platform as the basis for the Joint Transformation Programme, subject to procurement.

5.13   Other Legal and Procurement Issues

A number of legal and procurement issues have already been discussed, notably the approach to varying the SopraSteria Ltd contract. Other areas of Programme activity will also involve procurement, and a range of procurement strategies have been discussed with the councils' legal and procurement advisors.

1. Extension of existing licences

In some cases, where the councils have decided to extend the use of one council's system across both, it may be possible to assign or otherwise share existing licences. EBC's contract with Civica has been reviewed by the legal service, and it includes provision to transfer or share licences with another contracting authority. It is therefore possible that EBC's core licensing could be extended to cover LDC without the need for procurement under the terms of the existing contract. This may be possible in other areas as well.

2. Incidental Services

There will be a requirement for additional services to implement the Civica digital platform. It will not be possible to use a contractor other than Civica for these services due to the intellectual property rights attached to the software.

Regulations 32 (2)(b) (ii) and (iii) allow the award of a new contract through the negotiated procedure without prior publication of a notice in OJEU where the services can be supplied only by a particular contractor:
- para (ii) because competition is absent for technical reasons and/or
- para (iii) due to the protection of exclusive rights, including intellectual property rights.

In order to properly rely on either of these exceptions the council must be satisfied that no reasonable alternative or substitute exists and the absence of competition is not the result of artificially narrowing down of the parameters of the procurement process. Where this provision is used a contract award notice must be published setting out the justification for its use. The council could again mitigate a risk of challenge by issuing a VEAT notice in advance of entering the new contract.

3. Framework Procurements

Any new systems, or extensions of existing systems, which involve a contract value over the OJEU threshold will be procured via government frameworks, such as the Crown Commercial Services Local Authority Software Applications framework[2].

Other frameworks have been identified for consultancy services and approved by the legal service.

4. Direct Award

Where extensions of existing systems are below OJEU thresholds, the default approach will be to make a direct award, in line with the councils' contract procedure rules.

5. Operating within existing contracts

As indicated earlier, EBC's contract with SopraSteria Ltd includes

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[2] http://ccs-agreements.cabinetoffice.gov.uk/contracts/rm1059

provision for delivery of ICT transformation Programmes. Subject to reaching commercial agreements which meet the councils' obligations regarding best value, SopraSteria Ltd would be regarded as the default supplier of infrastructure projects, under the terms of the existing contract.

Recommendation: Cabinet is asked to approve the procurement approach and contract variation outlined above including the exceptions to contract procedure rules and the proposed changes to information and communications technology service provision and delegate authority to Deputy Chief Executive in consultation with the Joint Transformation Programme Board to negotiate the associated cost of pension protection with the service provider.

5.0 Consultation

5.1 Staff and Union Consultation

We have communicated with staff and staff representative groups throughout the development of the business case. This has included face to face briefings with management forums and multiple written updates to staff. One meeting of the newly formed Joint Transformation Programme Consultative Forum has taken place, which involved a range of staff representatives including UNISON representatives, and this Forum will continue to meet on a bimonthly basis throughout the Programme.

5.2 Legal Consultation

The key legal implications of the Programme are concerned with the procurement of goods and services, and these issues have been picked up and discussed within the Management Case section of the report.

5.3 Public Consultation

The decision to approve the implementation of the Programme does not in itself necessitate changes that are likely to affect service users, taxpayers, businesses or residents and therefore there is no statutory duty to consult at this stage.

However customer and stakeholder engagement is one of the key workstreams of the Programme and we will be consulting and engaging as part of the Programme. Effective customer and stakeholder insight ensures that the council develops its policies and services taking into account the views of individuals, communities, stakeholders, forums, organisations, etc. We will be using a range of methods to engage and consult during the programme including:

- surveys
- meetings
- focus groups or discussions
- user testing

6.0 Equality and Diversity

6.1   An initial analysis has been carried out on the business case for the Programme, concentrating on the high-level overriding principles of the Programme only. At this early stage there are no apparent equality implications, however, due to the high-level nature of this analysis there is a requirement to carry out more detailed analysis as the Programme unfolds. Therefore, equality analysis will be built into the Programme and significant findings will be reported to Cabinet as necessary.

Background Papers:
The Background Papers used in compiling this report were as follows:

1. *Joint ICT Strategy*
2. *EBC Cabinet reports – July 2014, October 2014, October 2015*
3. *LDC Cabinet reports – June 2014, November 2014, September 2015*
4. *iESE Future Options Report*

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Appendix One – Full Business Case

Attached

Appendix Two – Programme Plan (High Level)

attached

Appendix Three –Costs and Net Present Value Analysis

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	
Programme costs	-1,860,000	-3,080,000	-1,475,000	-135,000			-6,550,000
Contingencies	-93,000	-154,000	-73,750	-6,750			-327,500
Total (net) Costs	**-1,953,000**	**-3,234,000**	**-1,548,750**	**-141,750**	**0**	**0**	**-6,877,500**
Benefits	650,000	1,550,000	2,200,000	2,800,000	2,800,000	2,800,000	12,800,000
Net flows	**-1,303,000**	**-1,684,000**	**651,250**	**2,658,250**	**2,800,000**	**2,800,000**	**5,922,500**
Cumulative (non-discounted)	-1,303,000	-2,987,000	-2,335,750	322,500	3,122,500	5,922,500	
DCF 3.5%	1	0.966	0.934	0.902	0.871	0.842	
NPV	**-1,303,000**	**-1,627,053**	**607,949**	**2,397,589**	**2,440,038**	**2,357,525**	**4,873,048**
Cumulative (discounted)	-1,303,000	-2,930,053	-2,322,104	75,485	2,515,523	4,873,048	