| Committee(s): | Date(s): |
|---|---|
| IS Sub Committee | 2 October 2012 |
| **Subject:**<br>IS Review (Sourcing Options) Progress Report | **Public** |
| **Report of:**<br>Chamberlain | **For Information** |

### Summary

The current and final phase of the Information Systems Review is now underway, with the goal of examining the case for, and the options for, procuring certain services from outside, rather than providing a fully in-house service. This report summarises the progress made and the current position of this project.


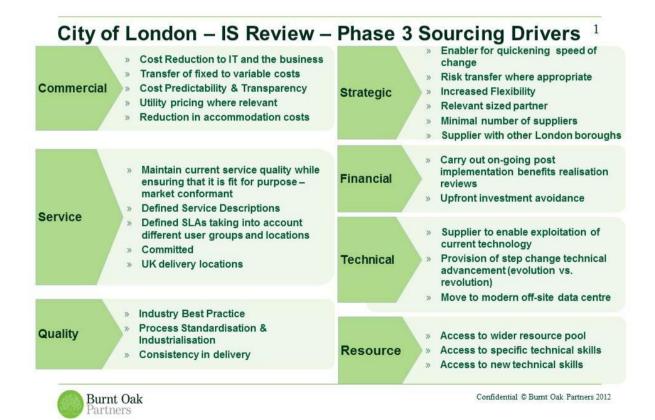### Recommendation

- That this report is received.

### Main Report

**Background**

1. The IS Review continues with Phase 3 exploring options for the sourcing of certain IS/IT support services. Preparing the way for this part of the Review were two earlier phases;

    a. Phase 1 unified the main IS/IT support functions in departments into the IS Division – completed April 2011.

    b. Phase 2 restructured the IS Division to refocus services towards the improved delivery of business systems and technology – completed January 2012.

2. An exercise conducted in summer 2012, examined the potential use of an existing Framework Agreement for managed IT services, negotiated by LB Southwark with Serco. This exercise indicated that there was potential for savings to be achieved, through outsourcing elements of the current, fully in-house IS service, although it was not possible to access the Framework itself.

3.  The Phase 3 Sourcing Review links to the IS Strategy, the Chamberlain's Department Business Plan and the Corporate Plan, under the IS Portfolio Theme of Building an Efficient Corporation.

**Current Position**

4.  A specialist firm of consultants, Burnt Oak, have been employed to provide advice on sourcing options, and to assist with the creation of a core set of documents, enabling the City of London to engage with the market.

5.  These documents include; Descriptions of our service requirements. Schedules identifying minimum Service Levels. Instructions for the bidders to enable them to demonstrate how they would run our services. Documents outlining the commercial and governance arrangements.

6.  During the preparation of these documents, workshops have been held with senior officers, including representatives from departments, to determine the drivers and scope for this initiative. A summary of these business drivers is shown below.

## City of London – IS Review – Phase 3 Sourcing Drivers [1]

**Commercial**
- » Cost Reduction to IT and the business
- » Transfer of fixed to variable costs
- » Cost Predictability & Transparency
- » Utility pricing where relevant
- » Reduction in accommodation costs

**Strategic**
- » Enabler for quickening speed of change
- » Risk transfer where appropriate
- » Increased Flexibility
- » Relevant sized partner
- » Minimal number of suppliers
- » Supplier with other London boroughs

**Service**
- » Maintain current service quality while ensuring that it is fit for purpose – market conformant
- » Defined Service Descriptions
- » Defined SLAs taking into account different user groups and locations
- » Committed
- » UK delivery locations

**Financial**
- » Carry out on-going post implementation benefits realisation reviews
- » Upfront investment avoidance

**Technical**
- » Supplier to enable exploitation of current technology
- » Provision of step change technical advancement (evolution vs. revolution)
- » Move to modern off-site data centre

**Quality**
- » Industry Best Practice
- » Process Standardisation & Industrialisation
- » Consistency in delivery

**Resource**
- » Access to wider resource pool
- » Access to specific technical skills
- » Access to new technical skills

Burnt Oak Partners

7.  Currently, the scope of IS services being considered for sourcing externally includes the core technical and infrastructure services as follows:

| | |
|---|---|
| **Data Network Management & Support** | **Voice Network Management & Support** |
| **Data Centre** | **Server & Storage Infrastructure** |
| **Database Support** | **Disaster Recovery** |
| **Desktop & Remote Access Management & Support** | **Service Management** |
| **Service Desk** | |

Although further services may be outsourced in due course, it was felt that further work was required to define these services sufficiently to take them to market. Additionally, through the supply of the core services the supplier would have to build trust, demonstrate cost effectiveness and earn the right to expand their scope into these more challenging areas. Services which may be sourced in this manner at an appropriate point include:

| | |
|---|---|
| **Application Development** | **Application Management** |
| **Information Architecture & Application Rationalisation** | **Business Analysis and Requirement definition** |
| **Project Management** | |

Finally, the need to retain strategic control would suggest that the following services would remain in-house;

| | |
|---|---|
| **Business Relationship Management** | **Information Management** |
| **Information Governance** | **Strategic Project & Programme Management** |

8.  Further consultation continues with key officers in departments, to ensure relevant concerns and needs are understood, and that senior officers are aware of the process being followed for the programme.

9. The following departments receive full support from IS Division and are part of the scope of service;

| Town Clerk's (inc. Central Criminal Court) | Mansion House |
|---|---|
| Chamberlain's | Built Environment |
| City Surveyor's | Open Spaces |
| Culture, Heritage & Libraries | Community & Children's Services |
| Markets & Consumer Protection | Comptroller & City Solicitor's |
| Remembrancer's | City of London Freemen's School (Admin staff only) |

10. IS Division also provide support services to the following external organisations whose needs will also be taken into consideration;

| London Councils | CityUK |
|---|---|
| Museum of London | |

11. Other departments have their own local IS/IT support teams, and are unlikely to be included in any initial deal. However, any contract will enable them to join if there is a business case to do so. These departments include;

| Barbican Centre | Guildhall School of Music and Drama |
|---|---|
| City of London School | City of London School for Girls |

12. The City of London Police are in the process of setting up a partnership with the East Coast Information Systems for the provision of their core IT Services. This arrangement has been agreed by the Chamberlain and the Police Committee and appropriate governance is now being put in place to ensure that support is provided to the Police to help them get the best from this new arrangement.

13. IS staff and Union representatives are regularly informed of progress, through email bulletins and meetings. In particular, each team in the IS Division is being given an opportunity to ask questions about the Review in smaller group meetings with the CIO, Graham Bell.

14. The production of the core set of documents is complete to final draft stage and Burnt Oak's assignment has now ended.

15. An important consideration for the formal procurement stage is which path to choose – using an existing, central government prepared framework, or via an OJEU tender process. Once this key decision has been made, the draft documentation will be revised to match the specific needs of the chosen procurement route.

16. A plan is in development to identify the resources required to run the procurement exercise.

17. Although the timetable for the programme will depend on which procurement route is chosen, it is possible to outline a high-level plan in Fig. 1 below.



Fig. 1. IS Review Phase 3 (Sourcing Options) – Procurement Decision Stage Time Plan

18. To better inform the decision on the optimum procurement route, a 'soft market test' is presently being conducted during August and September. Thirteen suppliers have been invited to discuss informally, our requirements and their ability to deliver against them. These range from very large, multi-national companies, through medium sized, specialist IT partners, to smaller, niche providers of data centre services.

19. During these informal meetings, the suppliers are responding to our stated requirements, and describing in broad terms, the type of service they would aim to provide, and how they would work in partnership with the City to deliver high quality services. Commercial principles are being discussed, such as the suppliers' position on Cloud based services and how these are charged.

20. A verbal report will be provided to summarise the outcome of this soft market test.

**Corporate & Strategic Implications**

21. The aim of this latest phase of the IS Review is to provide the best possible technology in the most cost effective manner. By doing this IS Division will be better able to support the goals of the Corporate Plan, the Chamberlain's Business Plan and the Deputy Town Clerk's Transformation Board.

**Implications**

22. The engagement with Serco in summer 2011 highlighted the potential for significant revenue savings by outsourcing elements of IT/IS services currently delivered by IS Division.

23. In the event that IT/IS infrastructure services are outsourced, the decommissioning of the data centre, currently in the former Justice Rooms, would fit within the corporate property strategy

24. IS Division are working with the HR department to ensure all appropriate procedures are followed. Impacts on the structure and personnel in the IS Department will be defined by the procurement process.

**Conclusion and next steps**

25. Once the soft market testing exercise is concluded, it will be possible to decide on the case for alternative sourcing and, if appropriate, the procurement route. A further report will be submitted to the Committee at that stage, outlining the procurement process, timetable and selection criteria.

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