

To: POLICY AND RESOURCES (FINANCE & CUSTOMER SERVICES) SUB- COMMITTEE		Subject: ICT SERVICE DELIVERY PARTNERSHIP SOURCING OPTIONS
From: HEAD OF E-GOVERNMENT AND SERVICE DEVELOPMENT		
Date: 2 November 2014	Ref:IMcK/BT	

## 1 Purpose of Report

1.1 The purpose of this report is to:

- Advise the Committee on options for sourcing ICT infrastructure support services for North Lanarkshire Council; and
- Request approval to proceed with recommended option.

## 2 Background

- 2.1 A 5-year partnership agreement with Northgate Public Services commenced on 1st January 2010 with a total contract value of £6,527,090. The contract included provision for an extension of up to 24 months. Committee has approved two 12 month extensions, and the partnership is therefore due to end on 31<sup>st</sup> December 2016.
- 2.2 The current partnership agreement provides a range of ICT services including service desk, desktop services, server and storage support, network support (data and voice) and procurement services.

## 3 Discussion – Options for ICT Service Delivery

- 3.1 Recognising the fast changing ICT landscape, EGASD engaged with Gartner consultants to determine the most advantageous ICT service delivery model for North Lanarkshire Council. Gartner are recognised leaders in ICT research and best practices.
- 3.2 Through a series of workshops with council ICT and service leaders to understand the council's requirements and preferences, Garner and the council evaluated various sourcing scenarios based upon the following criteria:
- Cost
  - Availability of ICT staff in the marketplace
  - Adopt standard sourcing approach
  - Enable digital services and facilitate innovation
  - Utilise shared approaches where possible
  - Industrialise IT operations
  - Service focus
  - In-house development only when no suitable solution in marketplace
  - Agility and flexibility
  - Robust, secure and resilient services
  - Enable cloud services
  - Mid to long term contracts preferential

3.3 Three sourcing scenarios were considered to be a good match for North Lanarkshire Council needs. These are as follows:

- Single Sourcing – where an organisation contracts with an individual supplier to provide all ICT services required. The current NLC arrangement with Northgate is an example of single sourcing;
- Selective Sourcing – where an organisation divides the work required into multiple smaller packages, each of which is then separately contracted; and
- Multi-Sourcing Services Integrator (MSI) – where an organisation selectively sources as per example above, but also contracts with another supplier to co-ordinate and manage the services provided overall.

3.4 A comparison of the three sourcing models is given below:

<b>Model</b>	<b>Pros</b>	<b>Cons</b>
Single Sourcing	<ul style="list-style-type: none"> <li>• Simpler to manage and govern with a single point of contact and accountability</li> <li>• Lower cost and reduced time to procure required services</li> <li>• Reduced management overheads</li> </ul>	<ul style="list-style-type: none"> <li>• Monopoly with reduced leverage over provider and a lack of competition for new services</li> <li>• Complacency limits investments and innovation</li> <li>• No one provider is best at everything</li> </ul>
Selective Sourcing	<ul style="list-style-type: none"> <li>• Use of best-in-class providers to deliver improved service outcomes</li> <li>• Potential for increased innovation</li> <li>• Potential for enhanced flexibility</li> <li>• Enhanced competition</li> </ul>	<ul style="list-style-type: none"> <li>• More costly or complex management and governance of multiple providers</li> <li>• Operating level agreements are required to reduce complexity and risk</li> <li>• Various standards, tools and methodologies across providers</li> </ul>
Selective Sourcing + Multisourcing Services Integrator (MSI)	<ul style="list-style-type: none"> <li>• Access to best-of-breed capabilities with a single point of accountability with end-to-end oversight and integration</li> <li>• Simpler to manage and co-ordinate which reduces internal management costs</li> <li>• Prime contractor structure offers single point of accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Few external providers have the ability to manage other providers</li> <li>• Some providers may find the service integrator's common service process framework a challenge</li> <li>• Bureaucratic and inefficient problem resolution if the prime contractor cannot effectively co-ordinate problem management among providers</li> </ul>

**Prepared by Gartner**

3.5 A final workshop was held to look in detail at each of these scenarios with the following agreed outcome:

- Option 1: Single Sourcing was considered as not flexible enough to support the different needs of individual services;
- Option 2: Selective Sourcing was considered too unwieldy for council staff to manage; and
- Option 3: Selective Sourcing + Multisourcing Service Integrator (MSI) was considered the best option to meet the council needs for the reasons outlined above.

3.6 Benefits of the MSI option are as outlined above and in addition this model also supports:

- Innovation and business differentiation enabled through agile contracts and a clear separation of these requirements from the day to day “run and maintain” services; and
- The ability to use cloud “as a service” delivery models.

#### 4 Next Steps

4.1 It is recommended that, as per the previous procurement for a service delivery partner, that North Lanarkshire Council engages with an external expert on ICT procurements of this nature to work with the in house team on the preparation of the tendering documents. This is expected to cost around £100k for 10 months work.

4.2 Proposed timeline:

Date	Activity/Milestone
Nov 2014	Committee approval to proceed
Dec 2014	Appoint consultant
Feb 2015	Soft market testing
Mar 2015	Issue PQQ
Jun 2015	Evaluate PQQ's
Sep 2015	Issue ITTs
Dec 2015	Evaluate ITT
May 2016	Committee approval to award contracts
May 2016	Award contract to successful bidders
Jun 2016	Multi-source service integrator (MSI) contract commences
Jul – Dec 2016	Migration to new contracts

4.3 These timescales, along with the overall procurement approach, have been discussed with the Council’s procurement manager.

#### 5 Financial Implications and Risks

5.1 It is anticipated that there will be additional costs associated with the next ICT service delivery contract. This is partially due to increasing ICT staff costs in the marketplace caused by a nationwide skills shortage, but also because of additional service demands (eg out of hours service, increased resilience and faster response to problems).

5.2 Option 3 as recommended above is not the cheapest ICT outsourcing model, but it does attempt to meet the increasing need for high-quality service delivery to allow service innovations and efficiencies to be made at an overall council level. It is argued that many of these improvements cannot be accomplished without reliable, robust and secure ICT.

5.3 Previous reports to Committee describing Council ICT strategy and ICT Transformation programme have noted that a fit-for-purpose ICT service model is essential to maximise the benefits from investment in ICT technology and solutions.

5.4 Likely costs of new sourcing arrangements will become apparent after engaging with the market in coming months. A future report to committee will provide more information on this in due course.

5.5 The consultancy costs to assist in the procurement process are estimated at £100k, £30k of which will be in 2014/15, the remainder in 2015/16. This will be met from the existing EGASD revenue budget.

## 6 Recommendations

6.1 It is recommended that the Committee:-

- Note the contents of this report;
- Approve the selection of option 3: Multisourcing Service Integrator (MSI) for ICT sourcing; and
- Approve the initiation of the procurement process for ICT sourcing, including the engagement of a sourcing consultant.



### **Head of E-Government & Service Development**

*Members seeking further information on the contents of this report are asked to contact Irene McKelvey, on tel. 01698 302532 or Brian Teaz on 01698 302264*