

**To: City Executive Board**

**Date: 7 January 2009**

**Item No:**

**Report of: Head of Business Transformation**

**Title of Report: ICT Provision Partnership**

### Summary and Recommendations

**Purpose of report:** The report outlines the evaluation of options for the future provision of ICT services to Oxford City Council, the process of selection of the final two options and the recommendations to the City Executive Board.

Key decision? **Yes**

**Executive lead member:** Councillor Oscar Van Nooijen

**Report Approved by:** Councillor Oscar Van Nooijen

**Head of Finance:** Penny Gardner

**Legal:** Lindsay Cane

**Policy Framework:** None

**Recommendations:** The City Executive Board is asked to agree:

- 1) to transfer the function of the management and operation of the ICT service to Oxfordshire County Council (under powers set out in s19 of the Local Government Act 2000) in accordance with the Heads of Terms attached to the report for the future provision of ICT Services in partnership with Oxford City Council;
- 2) to delegate authority to enter into an appropriate agreement with the County Council, with such agreement to reflect and contain the principles set out in this report and in the appended Heads of Terms, to the Chief Executive, in consultation with the Head of Business Transformation.

### **Introduction & Background**

- 1 Oxford City Council (OCC) has a declared intention to improve services to customers, be more cost-efficient and become a high-performing authority. The present Information and Communication Technology (ICT) service provided by the Business Systems and Telephony units does not meet our current needs or future business transformation needs. In order to meet current and future needs it is essential to have the support and leadership of a robust, highly skilled and innovative ICT service. In their present form and size OCC Business Systems and Telephony units lack the appropriate mix of skills and breadth of expertise to

provide the service levels, technological leadership, innovation and development necessary to sustain the required business transformation.

- 2 Additionally, there has been a lack of investment in the present computer and telephony network and infrastructure over the last 10 years and a lack of investment in desktop PCs over most of the last five years. As a result, the overall condition of infrastructure and the ICT service is 'creaking at the seams' and in need of new and ongoing investment. An independent report from Hedra, dated April 2008, summarised at Appendix A, refers to equipment meltdown within 18 months if ongoing investment in equipment is not forthcoming. Without this investment, hardware and systems will fail, resulting in Services and the Council not being able to carry out statutory duties.
- 3 Before embarking on any change it is necessary to establish a suitable arrangement to deliver ICT services of the appropriate calibre. OCC set itself the dual objectives of achieving an improved provision of ICT services and better value for money.

### **ICT Service Options Considered**

- 4 In order to identify how best to provide future ICT services to OCC a project has been undertaken to evaluate the available options. The project established a set of objectives and criteria (summarised in section 7) by which to judge the appropriateness of each option and carried out a series of workshops to carefully review and evaluate each option. The contributors at the workshops included operational managers, user representatives, union representatives and ICT staff.
- 5 At the outset five options were considered, they were:
  - 1) Retaining the status quo
  - 2) Outsourcing to a commercial provider
  - 3) Creating a joint service provision with another local authority
  - 4) Revised in-house provision
  - 5) Providing the ICT services function in partnership with Oxfordshire County Council, by transferring the function.

At the end of the first round of evaluation, three of the five options (1, 2 & 3) were eliminated as unworkable or too expensive – see Appendix B for details. When evaluating all the options consideration was given to a report commissioned from Hedra, a summary of which is attached at Appendix A, and in particular the option of provision by a commercial provider (outsourcing) was reviewed and discounted on the grounds of lack of flexibility and cost. The report drew attention to the fact that the average cost of an outsource contract (in terms of annual lifecycle cost per PC) is at £2,543 approximately five times the cost of current provision and almost four times the cost of provision by County at £679. The City Council's current provision cost of £570 reflects the lack of investment and the current service levels. The reasons behind the high cost of outsourced provision are included in the summary of the report at Appendix A. The remaining two options were taken forward to additional workshops for further scrutiny and assessment.

- 6 The final evaluation by staff and business representatives from Services concluded that provision of the ICT services function in partnership with Oxfordshire County Council is the best way forward. Having considered the advantages and disadvantages of the final two options the conclusion was additionally based on a comparison of the key considerations of:
- Value for money
  - Quality of service
  - Staff employment prospects
  - Ease and cost of implementation
- 7 With the exception of Ease and Cost of implementation (where they were equal) the Oxfordshire County Council provided services scored substantially higher in the key considerations than the alternative option and the scores are reflected in the table below.

<b>Key Considerations</b> (Scored out of 10 for each category, 10 = high, 1 = low)		
	<b>4) Revised In-house Option</b>	<b>5) Oxon CC Option</b>
Value for Money	6	7
Quality of Service Capacity Hours of coverage Proactive consultancy	6	7
Staff Opportunities Employment prospects Career advancement Personal development	4	6
Ease & Cost of Implementation	3	3
<b>Total</b>	<b>19</b>	<b>23</b>

- 8 The preferred option, 5), transfer of ICT services function to Oxfordshire County Council, was selected.

**Recommended Option: 5) Partnership with Oxfordshire County Council**

- 9 Option 5 consists of transferring the ICT function and the ICT staff to the County under TUPE arrangements and future ICT services being provided to the City by means of a partnership with the County.
- 10 The principal benefits of this arrangement are:
- replacement of all out of date PCs (those over five years old), telephones and ICT infrastructure by late 2010. This will enable and support our key projects such as CRM

- much better value for money than the City can achieve on its own, e.g. about 24% savings on desktop PCs (hardware costs), via greater purchasing power
- improved service levels above the current levels, to be set out in the Service Level Agreement (SLA)
- freeing up of space in St Aldates Chambers (£108,640 accommodation recharge) and reduced power consumption
- continued five year investment in ICT, which de-risks our current precarious situation of decaying infrastructure
- a more sustainable and resilient service via a much wider skills base, as with a larger ICT service, the County Council provides access to much more internal and external expertise while providing improved career opportunities for ICT staff
- for the level of investment we are giving to the County Council, we would not be able to obtain these benefits in-house.

11 More detailed advantages and disadvantages of each of the five options are shown at Appendix B.

### Financial Implications

12 The current full annual cost of ICT services provided by Business Systems is comprised of the following:

Annual revenue expenditure budget	=	£1,214,383
Annual telephony unit salary costs	=	£ 33,000
Annual cost of power to data centre	=	£ 47,000
<b>Total revenue costs</b>	<b>=</b>	<b>£1,294,383</b>

In 2006-07 the need for new investment in IT was addressed and a one-off £500k of capital was approved in the 2007-08 budget. At the end of 2007-08 a reserve for IT investment of £250k was created, £150k has been approved for spending in 2008-09 leaving £100k for 2009-10. As part of the 2009-10 budget it has been recognised that ongoing capital investment of an average of £100k per annum must be included as an ongoing programme, to be funded through revenue contributions at present.

Total annual revenue and capital costs	=	£1,394,383
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The annual cost of services from the preferred option 5 Oxfordshire County Council Partnership would be:	=	£ 987,364
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In addition there would be other ongoing costs from the current annual revenue budget, comprising the following items:

Application support and maintenance costs	=	£ 107,400
Salaries for FOI officer and project & finance manager not included in the transfer of function	=	£ 90,853

Thus, the full annual cost to the City for provision from the County would be:

		£ 987,364
	plus	£ 107,400
	plus	£ 90,853
<b>Total</b>		<b>£1,185,617</b>

<b>This will give a gross annual saving of</b>	<b>=</b>	<b>£ 208,766</b>
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- 13 First year implementation costs will reduce the financial benefit for year one only as there will be an additional cost (£70,000) for the setting up of temporary communication lines between Oxfordshire County Council and the City Council's data centre until the latter is relocated. Furthermore the ongoing cost of power until the data centre is moved will be £23,000 and that, together with an optional performance guarantee to a maximum of £60,000 and a contingency amount of £74,000 gives one-off costs for year one of up to £227,000. A detailed analysis and budgetary breakdown is at Appendix C. KPMG has confirmed in writing that VAT is payable on services received from the County Council and is reclaimable.

**Legal Implications**

- 14 Advice has been sought from Legal Services, and it has been confirmed that the power to transfer the function of ICT support in the manner proposed in this report would be available to the City Council. A transfer of the function to the County Council should not infringe the City's own procurement rules. A copy of the current Heads of Terms is at Appendix F.
- 15 The parties have agreed the main principles of the transfer and these are set out in Appendix F.

**Risks and Mitigating Factors**

- 16 The proposed solution, as with all change, carries a number of identifiable risks and these are outlined below together with mitigation measures; however, in this instance, it is important to also identify the risks associated with taking no action.

**Risks Associated With Making No Change To Current Provision**

Risk & Description	Likelihood	Impact (High / Medium/Low)	Counter Measures
<p><b><u>Loss of key staff</u></b></p> <p>A lack of capacity in terms of skills, expertise and numbers of staff within ICT staff may lead to a failure to provide the essential technological leadership necessary to support business transformation</p>	Possible	High	Invest in additional numbers of appropriately skilled and experienced ICT staff

<p><b><u>Frontline effectiveness and customer service impacted due to poor staff and systems performance</u></b></p> <p>Some low self-esteem, pockets of poor performance within ICT staff and an ailing network infrastructure may lead to a failure of ICT service provision and a consequent inability of frontline services to meet acceptable service standards</p>	Likely	High	Invest in additional ICT staff and make a long-term commitment to continued investment in the network infrastructure
<p><b><u>Inferior staff performance due to declining staff morale.</u></b> The ICT staff morale has declined leading to some unwillingness to change and an inability to respond positively to all the Council's ICT service requirements. The department is small and staff turnover is almost non-existent and cannot provide opportunity for personal development and career advancement. Failure to move to a new provision may lead to even lower morale and negative attitudes may become further entrenched with the consequent failure to make acceptable provision to the Council's customer facing services.</p>	Likely	Medium	Undertake substantial change that will provide not only the level of service needed by the council but will give ICT staff the opportunity to be part of a larger, thriving department with positive attitudes and opportunities for career progression and personal development

### Risks Associated With Proposed Service 5.

Risk & Description	Likelihood	Impact (High/Medium/Low)	Counter Measures
<p><b><u>Staff leave or become demoralised.</u></b> During the transition to new provision key staff may leave or become demoralised, which in turn adversely affects the quality of interim ICT services to the Council.</p>	Likely	High	Involve and consult with staff throughout. Encourage staff to engage with and contribute to the process of change. Additionally, ensure that the benefits to staff as well as to the Council are fully understood

<p><b><u>Failure of equipment or applications during the relocation.</u></b> The data centre or machine room contains all the application servers and communications equipment and is the heart of the network upon which the provision of ICT depends. As part of the proposed solution it will be relocated to new premises. This carries sizeable risks to the provision and continuity of service, as servers need to be taken down, removed and restarted in a new location and this may interrupt service.</p>	Possible	High	Careful planning, unrushed scheduling and use of periods when service may not be required, such as weekends, will greatly reduce risk. Furthermore, de-conflicting the transfer of staff and movement of the data centre will further reduce risk, as will involving in the move our own experienced staff with their considerable local knowledge.
<p><b><u>Costs escalate after year one.</u></b> The provider may attempt to increase the cost of provision of service after year one</p>	Unlikely	Medium	Controlling the level and type of service as well as value for money are highly important aspects of the post implementation period and will be achieved through a tightly managed ICT Partnership Governance arrangement. The governance structure is shown at Appendix D.
<p><b><u>New service levels fall short of expectations.</u></b> Post implementation service levels may be lower than promised and fail to meet expectations</p>	Unlikely	Medium	As with controlling costs, ensuring that the provider maintains service levels can be achieved through close monitoring exercised through a tightly managed ICT Partnership Governance arrangement, which in this instance would scrutinise Key Performance Indicators (KPIs) on a regular basis and take action.

### Staffing Implications

- 17 Each of the options considered carries implications for staffing and future employment of ICT personnel. Business Systems and Telephony staff have been kept fully informed throughout the options evaluation process and if the preferred option of services provided in partnership with Oxfordshire County Council is accepted they will be engaged in a 4-week consultation period with respect to the mechanisms of the TUPE transfer. All affected staff automatically take all their existing terms with them to their new employer as part of the new arrangement.

Employment of individuals will transfer to the County Council with a performance bond of up to £60,000 in total, which may be drawn upon against certain employment contingencies.

### **Climate Change Implications**

- 18 Strides towards 'greener' provision of ICT will be continued and it is firmly anticipated that gains will be achieved due to economy of scale and in particular through the sharing of a single data centre and associated air conditioning with consequent reductions in power usage and the deployment of more modern (and therefore less 'power hungry') technology such as virtual rather than physical PCs and servers.

### **Equalities Impact Assessment**

- 19 The Equalities Officer and the Business Systems Manager carried out an Equalities Impact Assessment and it was concluded that the proposed transfer of function would have a neutral equalities impact.

### **Next steps**

- 20 If Council accepts the recommended option, the next steps will be to implement phased provision of ICT services in partnership with Oxfordshire County Council from April 2009 after completing the following actions:
  - Detailed planning of design, testing, implementation and transfer
  - Staff transfer process design
  - Service transfer process design
  - Final negotiation of Heads of Terms between OCC and Oxfordshire County Council and legal agreement design
  - Union consultation over a 1 week period and staff consultation over a 4 week period
  - Further detailed governance arrangements and communications
  - Preparation for TUPE
  - Establishment of an ICT Partnership Governance Board to oversee delivery of service (as per Appendix D)
  - Signing of a legal agreement
  - Set up and staffing of the City client-side unit
  - Testing of all arrangements before start of transfer
  - Phased transfer of some hardware, service desk calls
  - Phased transfer of staff
  - Phased transfer of the service
  - Review of service received (breakpoint at phased transfer end)
  - Transfer or decommissioning of server room hardware, if service acceptable
  - Ongoing management of the service and Boards.



## **Recommendation**

- 21 The City Executive Board is asked to agree:
- 1) to transfer the function of the management and operation of the ICT service to Oxfordshire County Council (under powers set out s19 of the Local Government Act 2000) in accordance with the Heads of Terms attached to the report for the future provision of ICT Services in partnership with Oxford City Council;
  - 2) to delegate authority to enter into an appropriate agreement with the County Council, with such agreement to reflect and contain the principles set out in this report and in the appended Heads of Terms, to the Chief Executive, in consultation with the Head of Business Transformation.

### **Name and contact details of authors:**

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**Background Papers: Hedra Report April 2008.**

## Appendix A

### Summary of Hedra report

Hedra is an independent consulting organisation specifically formed to meet the needs of public sector bodies. In April 2008 Hedra was tasked with benchmarking the performance of Oxford City Council's (City) ICT department (Business Systems) against that of the ICT Services department at Oxfordshire County Council (County) and the market place in general. The following is a summary of the report presented to the City by Hedra.

Hedra noted that Business Systems is a small team that covers many bases well. However, it also noted the following:

- **Scale dis-economy.** The City ICT user community is relatively small (in the region of 1,300) and the number of staff required to support them is disproportionately large, this is particularly evident in Service Desk and Applications Support teams.
- **Higher salaries.** Many years of incremental growth and other factors have given rise to higher than average salaries for a number of staff and some staff with limited responsibilities earn more than line managers.
- **Starved of capital.** The infrastructure displays an under investment of capital in recent years as does the estate of PCs and other hardware.
- **Equipment meltdown within eighteen months.** Without significant investment the City's equipment will cease to be capable of meeting the ICT needs of front line customer service units within eighteen months to two years.
- **Reactive in nature.** The service provided by Business Systems is highly reactive at a time when frontline services are demanding more proactive and consultative technological leadership.
- **Difficult to keep staff motivated in this climate.** Staff morale has suffered and declined over a period of time and in the current climate it is difficult to motivate them to produce the higher level of service currently required to meet the Council's declared objective of increased service to the public.
- **Costs.** City costs were higher in a number of areas and using Service Desk costs per incident (call to service desk) as an example, City's costs are almost 3 times higher than those of County. Additionally, when comparing costs in *terms of cost per PC* with outsourced provision from a commercial provider, on average outsourced provision is almost five times more expensive at £2,543 than City's current costs at £570 and nearly four times greater than County provided services at £679.

When asked to comment on the reason that outsourced contracts are so expensive Hedra responded with the following:

There are various cost drivers for outsourcing contracts which makes them service costs plus. These plus items include:

- Cost of direct sales (winning the contract)
- Indirect cost of lost sales (contracts not won - they may win 1 in 3 contracts)
- Legal and Commercial (Lawyers, Accountants, Billing)
- Margin / Profit (Specifically from this account)
- SLA provision (Meeting above average aspects of SLA)
- Contract specifics (Meeting specific security, location, reporting, utilisation thresholds)
- Risk (Including major provision for not meeting the SLA)
- Cost of money for capital investments (Interest)
- Cost of setting up and managing sub contracts
- Cost of set-up (Plugging in the service management system into the client infrastructure)
- The account team (Working with client on service management and also selling additional services)

## Appendix B

### Advantages & Disadvantages of Options

#### 1. Status quo

##### Advantages

- Is a known entity
- Has positive customer satisfaction
- Staff have good knowledge of the business
- Stable staff – low turnover
- Can absorb short notice requests

##### Disadvantages

- Would require considerable ongoing additional investment
- Pockets of poor performance
- Not sufficiently pro-active
- Lacks capacity – numbers of staff
- Offers less value for money
- Lack of opportunity for staff progression, development
- Lack of specialisms and procedures

#### 2. Outsourcing to commercial provider

##### Advantages

- Higher levels of expertise
- Increased capacity – numbers of staff
- Operates to industry standards

##### Disadvantages

- Poor value for money (up to 4 times the cost)
- Lack of corporate knowledge
- Contract based and therefore lacks flexibility
- Staff disruption, loss of jobs
- Speed of responsiveness, too slow

#### 3. Joint service provision with another local authority

##### Advantages

- Increased capacity – numbers of staff
- Common goals
- Potential increase in skills and experience & potential to reduce costs

##### Disadvantages

- Need to rationalise applications
- Difficulty of management
- Lack of sustainable investment
- Need for consistent long term political buy-in

#### **4. Revised in-house provision**

##### Advantages

- Sustainable Investment (PC's etc)
- Dedicated set of staff
- Control of Prioritisation
- Focus on own needs

##### Disadvantages

- Small unit (lacks capacity)
- Limited pool (of expertise)
- Ongoing cost
- Difficult to improve procedures
- Lack of Research and Development capacity
- High infrastructure maintenance
- Staff prospects limited

#### **5. Services provided in partnership with Oxfordshire County Council**

##### Advantages

- Ongoing cost – better value
- Modern infrastructure
- Sustainable investment in both desktop PCs and network infrastructure
- Capacity: numbers of people
- Breadth of skills
- Support cover (24/7 callout for major applications)
- Better staff prospects
- Training and scope to progress
- Capacity for Research & Development

##### Disadvantages

- Question over resources
- Question over control and governance
- Less local knowledge
- Less flexible

## Appendix C - Financials

This Appendix contains 3 tables:

**Table 1.** Financial Implications, which lays out the cost of provision of ICT services in three scenarios, firstly the present provision, secondly a revised in-house provision and finally, the cost of provision by the County.

**Table 2.** Cost Comparisons, which compares the cost of current provision with the cost of revised In-house provision and the cost of provision by the County.

**Table 3.** Summary of costs and savings over five years if the ICT function is transferred to the County.

The Financial Implications table below contains figures at 2008 prices. The figures do not include VAT, which is payable and reclaimable.

Column B is a list of the City services or items of capital expenditure drawn up to correspond as far as possible with the list of headings within column F, the County proposal for provision of ICT services.

Column C reflects the costs for current provision of ICT services and contains figures quoted in the City's annual revenue budget for Business Systems (ICT department)

Column D includes all items in column 2 plus items of the City's annual revenue expenditure not included in Business Systems budget and covered by other budgets

Column E reflects the costs for ICT services as supplied by a City Revised In-house provision

Column F contains headings of items of service provision from the County proposal

Column G shows the breakdown of costs for the provision of services from the County as expressed in their proposal

Column I shows the County costs plus ongoing costs that City would continue to incur, e.g. provision of software licences and application maintenance and support.

Table 1 - Financial Implications

A	B	C	D	E	F	G	I
2	<b>Oxford City Council Costs</b>				<b>Oxfordshire County Council Proposal</b>		
3		City Revenue Budget 08/09 as shown in Agresso	City Revenue Budget plus additional salaries & power costs	City Revised In-house Option	Costs supplied by Oxfordshire County Council in the ICT Services Catalogue		Estimated County Total Cost plus City ongoing revenue costs
4							
5	Project management / finance / FOI	£90,853	£90,853	£90,853			£90,853
6	Service desk salaries	£340,838	£340,838	£290,422	Desktop Provision & Support	£258,060	£258,060
7	Service desk software (Touchpaper)	£10,600	£10,600	£10,000	ICT Service Desk	£50,400	£50,400
8	Applications team salaries	£284,534	£284,534	£296,656	Application Support & Devt	£146,250	£146,250
9	Application S/W support & maintenance	£107,400	£107,400	£107,400			£107,400
10					Email and Collaboration	£35,904	£35,904
11	Internet line rental	£14,000	£14,000	£14,000	Internet Access Services	£15,000	£15,000
12	Infrastructure team salaries	£126,162	£126,162	£238,822	Wide Area Networking	£53,000	£53,000
13	Communication lines rental	£53,000	£53,000	£53,000	Local Area Networking	£74,500	£74,500
14	Server warranty renewal	£25,000	£25,000	£25,000			
15	Purchasing	£20,697	£20,697		ICT Purchasing	£18,750	£18,750
16	Licensing	£20,697	£20,697		Software Licensing	£18,750	£18,750
17	Security software	£40,000	£40,000	£40,000	Security	nil	nil
18	Remote & Mobile Working				Remote Working	£15,000	£15,000
19	Air-conditioning & fire detection	£11,300	£11,300	£11,300	Hosting	£123,500	£123,500
20	Disaster Recovery	£20,200	£20,200	£20,200	Business Continuity (DR)	£18,500	£18,500
21					VOIP - Digital Phones	£36,000	£36,000
22					Business Liaison	£48,750	£48,750
23					Management	£75,000	£75,000
24	Administrator salary	£14,402	£14,402				
25	Running costs (insurance, mobile phones)	£25,500	£25,500				

26	Transport	£9,200	£9,200	£9,200			
27	Telephony salary (different budget)		£33,000	£0			
28	Cost of power		£47,000	£47,000			
29	Management			£70,000			
31	Total	£1,214,383	£1,294,383	£1,323,853	Total	£987,364	£1,185,617
32	Budget as shown in Agresso	£1,214,974					
33	Capital Contribution	£100,000		£100,000			
34	Savings year two onwards	£208,766			One-off costs year one		
35					Communication links	£70,000	
36					Contingency sum	£74,000	
37					Power costs (six months)	£23,000	
					Performance bond (maximum)	£60,000	
					Total	£227,000	



**Table 2 – Cost Comparisons**

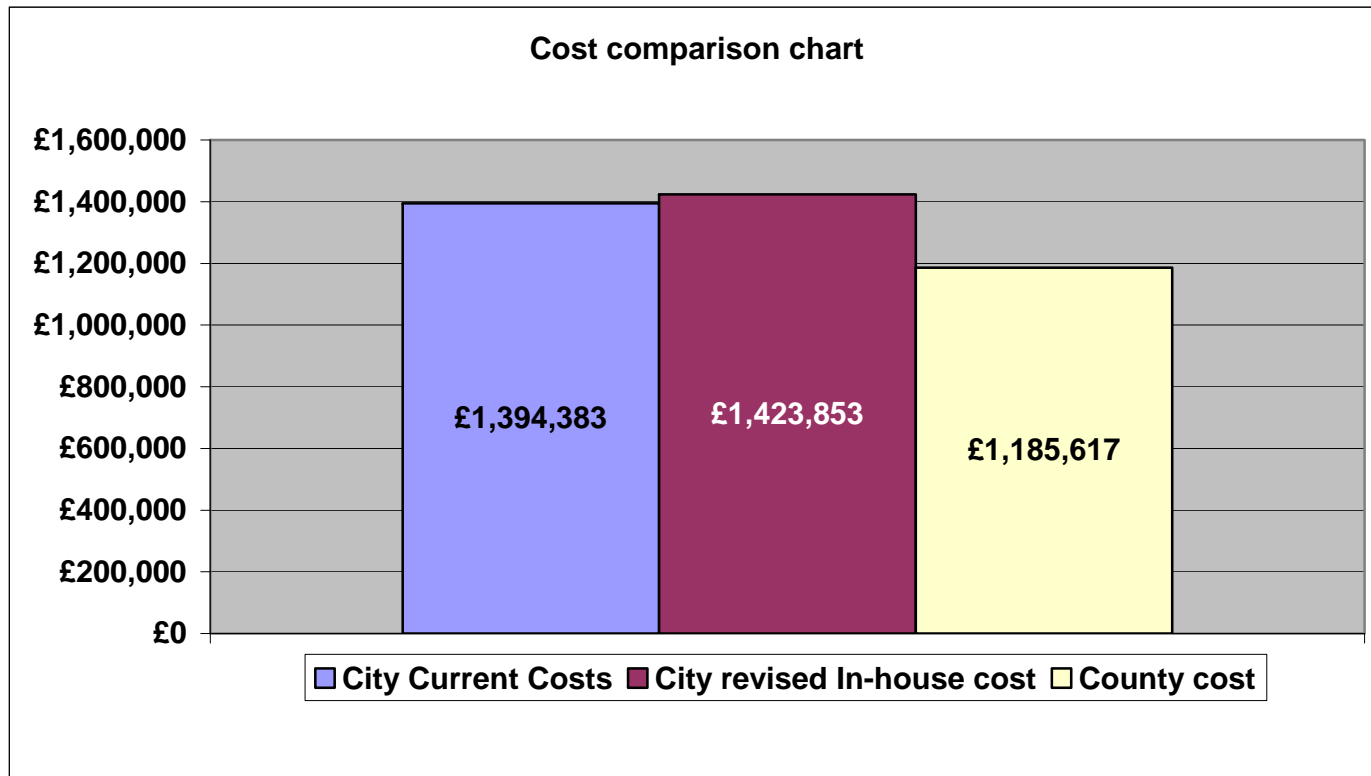


Table 3 – Summary of Cost and Savings

Draft Summary of costs & savings over five years						
Financial Year	2009/10	2010/11	2011/12	2012/13	2013/14	
Current total costs		£1,294,383	£1,294,383	£1,294,383	£1,294,383	£1,294,383
Year 1	Total Annual costs	£1,185,617				
	County Weighting*	-£100,000				
	Capital budget	£100,000				
	One-off costs**	£227,000				
	Saving	£81,766				
Year 2 onwards	Annual revenue costs		£1,185,617	£1,185,617	£1,185,617	£1,185,617
	County Weighting*		-£50,000	£0	£50,000	£100,000
	Capital Budget		£50,000	£100,000	£150,000	£200,000
	Total Saving		£208,766	£208,766	£208,766	£208,766
Cumulative Savings		£81,766	£290,532	£499,298	£708,064	£916,830

N.B. All figures at 2008 prices and exclude VAT

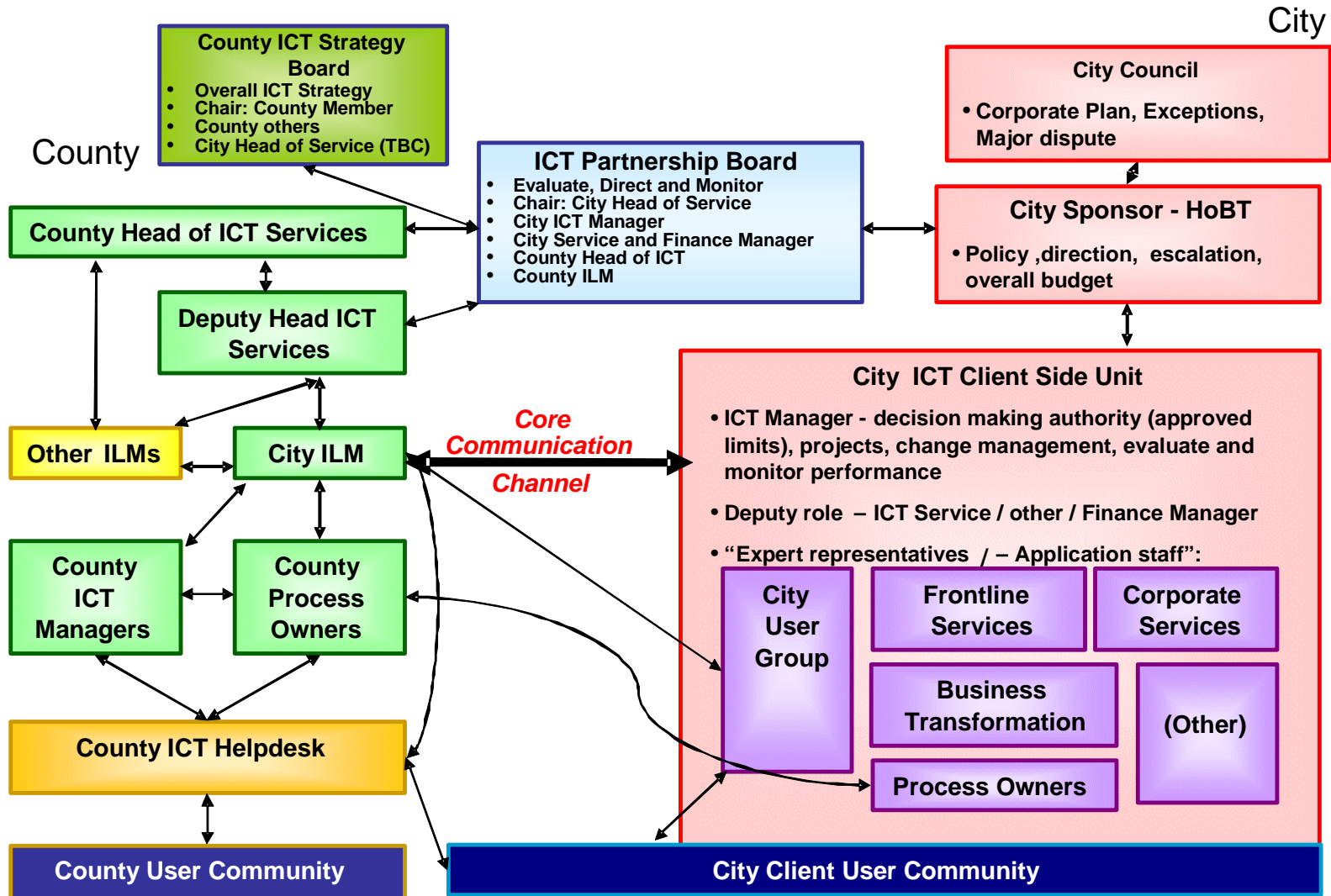
Savings are against a combined revenue and capital budget including a capital budget contribution from revenue of £100,000 average PA

\*County weighting is negative in years one and two and positive in years four and five to help City Council's finances

\*\* Includes optional performance guarantee. This is a maximum amount.

## Appendix D- Governance structure

This is the proposed governance structure for the ICT Partnership.



**Governance Groups**

Referring to figure 1, above, the ICT Partnership Board provides the body for evaluation, direction and monitoring of the proposed and future services provided by the County to the City.

**ICT Partnership Board**

The ICT Partnership Board will be chaired by the City Head of Business Transformation and include the County Head of ICT, the City ICT Manager, the City Services / Finance Manager and the County ICT Liaison Manager. The Board will meet at least monthly in alternate City and County locations.

## Appendix E - Current KPIs from Business Systems

<b>Call fixed by priority – September 2007</b>			
<b>Call Priority</b>	<b>Target Fix Time</b>	<b>Target %</b>	<b>% achieved</b>
Priority 1 – Major system or network down	4 hour	75%	100%
Priority 2 – Minor system or several users cannot work or are seriously affected	8 hour	75%	94%
Priority 3 – Single user cannot work or is seriously affected	16 hour	75%	80%
Priority 4 – Single user has a problem of lesser impact/urgency	24 hour	75%	80%

<b>Call fixed by priority September 2008</b>			
<b>Call Priority</b>	<b>Target Fix Time</b>	<b>Target %</b>	<b>% achieved</b>
Priority 1 – Major system or network down	4 hour	75%	66%*
Priority 2 – Minor system or several users cannot work or are seriously affected	8 hour	75%	66%
Priority 3 – Single user cannot work or is seriously affected	16 hour	75%	41%
Priority 4 – Single user has a problem of lesser impact/urgency	24 hour	75%	66%

# Appendix F

## Current Heads of Terms

### DRAFT

These Heads of Terms are dated this                      day of    2008

Between

Oxford City Council of The Town Hall, Blue Boar Street, Oxford OX1 4EY (“the City Council”)

and

Oxfordshire County Council of County Hall, New Road, Oxford, OX1 1ND (“the County Council”)

### INTRODUCTION

- A) The City Council currently performs and discharges the function (“the Function”) of the provision of an “in-house” ICT service that is designed to meet the City Council’s own ICT requirements;
- B) The County Council currently meets its own ICT service requirements by itself having an “in-house” ICT service;
- C) The City Council is of the belief that the Function would be provided to the City Council more efficiently and more cost-effectively, and would better enable it to ensure sustained investment in ICT and achieve best value, if the Function were to be transferred to the County Council, provided that in so doing the parties adhere to the principles of a “not-for-profit” partnership in which marginal costs are charged by the County Council for services provided;
- D) The County Council is of the belief that accepting the transfer of the Function on this basis would assist it to meet its own operational and strategic objectives;
- E) The parties therefore agree in accordance with the terms set out in these Heads of Agreement, and in reliance on the provisions of s101 Local Government Act 1972 and s19 Local Government Act 2000 and all other relevant enabling legislation, to transfer the responsibility for the performance of the Function from the City Council to the County Council.
- F) The terms under which the Function is to be transferred, and the terms under which the City Council will receive ICT Services (“the Service”) from the County Council will be set out in a Service Contract (“the Service

Contract”). The Service Contract will have appended to it a Service Level Agreement (“SLA”) setting out the detailed arrangements of the Service to be provided. Outline terms of the SLA are attached to these Heads as Appendix 1.

- G) It is anticipated that the transfer of the Function will take place in two phases, the first being core ICT services, the second being telephony services. For the purposes of these Heads of Agreement, the two phases will be regarded as forming a single entity.

## PRINCIPAL TERMS

1. **Length of Service Contract** – to be a period of 7 years (“the Transfer Term”) commencing on [1<sup>st</sup> April 2009] or such other date that both parties may agree (“the Commencement Date”)
2. **Service Contract reviews** – Two formal review points during the Transfer Term, the first 3 years after the Commencement Date, the second 5 years after the Commencement Date. The Service Contract may be terminated by the City Council on either of the said review dates by giving to the County Council no less than [12 months] written notice. The Service Contract may be terminated by the County Council on either of the said review dates by giving to the City Council no less than [12 months] notice.
3. **Service Implementation and Service Acceptance** – The parties acknowledge that the period of 6 months following the Commencement Date will be used for a phased implementation of the Service. Implementation will follow an agreed implementation plan which will divide the Service into at least two elements (core ICT services and telephony). By the end of its phased implementation the Service will be required to have met a series of acceptance criteria (as defined in Clause 4 below). In the event that by six months after the Commencement Date or such later date as the parties may agree, the Service has failed to meet the acceptance criteria, the City Council will require any defective aspects of the Service to be rectified. In the event that any such defective aspects of the Service are not then properly rectified within a reasonable timeframe to be agreed by both parties (this is suggested to be limited to a maximum of three months), the City Council may terminate the Service Contract forthwith. Any termination of the Service Contract will also terminate the transfer of the Function.
4. **Acceptance Criteria** – In determining whether the Service has met its acceptance criteria, the City Council will primarily consider the following points:
  - a) whether costs have remained within the agreed limits;

- b) whether it is satisfied that the transfer of staff has been achieved in a satisfactory manner;
  - c) whether the detailed provisions of the SLA are being met (or where they are not that full and proper remedial actions are in place to ensure compliance).
5. **Staff** – All staff employed by the City Council immediately prior to the Commencement Date in performing and discharging the Function (“the Transferring Staff”) will on the Commencement Date transfer to the employment of the County Council. The parties shall deem the TUPE Regulations to apply in full to the transfer of the Transferring Staff. In addition the County Council shall comply with the Code of Practice on Workforce Matters in Local Authority Service contracts (“the Code of Practice”) in regard to the transfer and shall also deem the principles set out in the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector (January 2000) to apply. The Transferring Staff are as listed in Appendix 2.
6. **Pensions** – The County Council undertakes that the Local Government Pension Scheme shall be maintained for all Transferring Staff who are members of the said Scheme throughout the period of the Transfer Term in which the Transferring Staff remain involved in performing or discharging the Function.
7. **Trade Union recognition** – The County Council shall permit all Transferring Staff to be represented by any trade union they may choose, but shall only formally recognise Unison for negotiation and consultation purposes.
8. **Further Staff Transfer** – If for any reason (and notwithstanding the provisions of Clause 10 below) the County Council itself seeks to transfer the performance of the Function to a third party supplier during the Transfer Term, it shall ensure that the provisions of Clauses 5, 6 and 7 above shall apply in full to any transfer agreement made between the County Council and such third party supplier.
9. **Function Transfer Governance** - The partnership arrangements between the County Council and the City Council and Service delivery and performance will be subject to the governance structures as set out in the ICT Partnership Governance structure shown at Appendix 3. At the head of the governance structure is the ICT Partnership Board chaired by the City Head of Business Transformation and including the County Head of ICT, the City ICT Manager, the City Services / Finance Manager and the County ILM. The Board will meet at least monthly in alternate City and County locations. The Board will:



- i. **Monitor** performance in relation to the SLA and agreed KPIs and is in accordance with plans, particularly with regard to business objectives.
  - ii. **Evaluate** and make judgement on the current and future use of ICT, including strategies, requirements, proposals and supply arrangements (whether internal, external, or both).
  - iii. **Direct** preparation and implementation of plans and policies. Plans will set the direction for investments in ICT projects and ICT operations building on but not limited to the proposed County ICT Catalogue. Policies will establish sound behaviour in the use of ICT.
  - iv. **Change** by mutual agreement aspects of the SLA, as necessary to meet the current and future ICT requirements of the City.
  - v. **Ensure** that the provision of ICT services conforms with external obligations (regulatory, legislation, common law, contractual) and internal work practices. Responsibility for specific aspects of ICT will be delegated to managers within the organisations. However, accountability for the effective, efficient and acceptable use and delivery of ICT remains with the County Head of ICT for its services and the City Head of Business Transformation for receiving the service and cannot be delegated.
10. **No outsourcing of services:** The County Council will not during the Transfer Term outsource or sub-contract work that forms part of the Service provision to the City Council, without the agreement of the City Council.
11. **Hardware and Software Ownership:** Hardware acquired and owned by the City Council before the Commencement Date shall remain the property of the City Council. Hardware and software (e.g. PC replacements) purchased by the County Council for use by the City Council during the course of the Service Contract as part of the contracted Service provision will, subject to Service payments made, become the property of the City Council at no extra charge. Existing software licenses owned by the City Council will remain the property of the City Council.
12. **Redundant Hardware:** The City Council will undertake not to re-introduce or re-use any hardware that has been taken out of service or replaced unless by mutual agreement.
13. **Current Project Resources** – The County Council agrees that where during the Transfer Term the City Council nominates any member(s) of the Transferring Staff as holding specialist expertise

in or experience of any specified City Council project (e.g. CRM), the Transferring Staff so nominated will be allocated to perform such City Council project work, at no additional cost.

14. **Data Centre Move:** As part of the transfer of Function the County Council will undertake (at its own cost) to redeploy to County premises all of the City Council's applications and systems necessary to provide a full ongoing ICT Service to the City Council.
15. **Government Connect:** County Council will undertake to ensure that the City Council network and infrastructure complies with the Government Connect Code of Connectivity (within five months of Commencement Date) and meets the same standards as the County Council's own network.
16. **Data Security:** While during the Transfer Term the City Council will seek to ensure that all data and information security policies in place are adhered to by City Council personnel, the County Council will during the Transfer Term be solely responsible for the physical security of all electronically-held City Council data and shall take all reasonably required measures to ensure its protection and safe storage, and that access to all such data is in accordance with the procedure specified by the City Council.
17. **Performance Guarantee:** With effect from the Commencement Date the City Council shall make available the sum of £60,000, which may be drawn upon by the County Council during the period of [6] months following the Commencement Date in the event and to the extent that the County Council incurs any loss or expense which arises directly from any material failure of the transfer of the Function to achieve the objective set out in Recital D above, provided that the County Council shall first have used all reasonable endeavours to ensure the achievement of the said objective and the minimisation of any such loss or expense. The parties acknowledge and agree that the receipt of any such sum by the County Council shall represent the sole means of compensation available to the County Council in the event of any such circumstances occurring.
18. **Co-Operation and Accounting Principles** – The parties shall cooperate with each other to ensure the effective operation of the Function. At all times, the County Council shall consider and deal with its performance of the Function as if the County Council and the City Council were engaged in a “not-for-profit” partnership in which marginal costs are levied and paid by the City Council to the County Council plus VAT (which is reclaimable by the City Council). At the end of the Transfer Term the County Council shall use its reasonable endeavours to assist the City Council in properly discharging the Function.

19. **Termination of the Service Contract** – Either party may terminate the Service Contract (and thus also terminate the County Council's performance of the Function) in the event that the other is in material breach of any term of the Service Contract (including the SLA), and has failed to rectify such breach within 28 days of its receiving a written request to so rectify.
20. **Limitation of Liability** – The parties acknowledge that the liability of either party to the other for a default under the Service Contract shall be subject to certain financial limits as agreed by the parties and to the extent permissible by law (this is suggested to be no more than the annual fee payable to the County Council)
21. **Dispute** - Any dispute between the parties will be subject to an escalation procedure (involving the Chief Executive Officers of both parties) to be agreed.
22. **Service Contract** – While these Heads of Terms are not intended to have legal effect, the parties shall each use their reasonable endeavours to enter into a Service Contract based on the matters set out in these Heads of Terms.

## Appendix 1

### Service Level Agreement

1. *Insert copy of County SLA amended to meet City requirements* (to be concluded by end December 08)
2. Key Performance Indicators (Appendix E examples)
3. **Prices:** prices will be initially tied for one year from the start of provision and the amount to be charged for services will be as defined in the ICT Services Catalogue as issued by County in June 2008. If in the future the size of the City Council alters significantly in terms of numbers of staff, the pricing schedule will be reviewed by mutual agreement.
4. **Price Reviews:** Prices will be reviewed every October for the following year's prices. If prices are to be raised this may only be by the maximum of the current mutually agreed UK Computer Price Index.

## Appendix 2

List of Transferring Staff:

Business Systems staff except the FOI Officer, Project manager / financial manager.

## Appendix 3

Governance Structure – same as Appendix D.