

ISIS

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1. Summary/link to the Corporate Plan

- 1.1. This report outlines the latest position regarding our negotiations with our preferred bidder – IBM (together with HBS and Mouchel Parkman). Members will recall that the County Council, together with Taunton Deane and, more recently, Avon and Somerset Police (ASP), have been progressing towards the creation of a Joint Venture Partnership to deliver corporate and transactional services, together with transformational change.
- 1.2. The purpose of this report is to ask the Executive Board to confirm its commitment to entering into a Joint Venture with IBM.
- 1.3. Negotiations, albeit at an advanced stage, are on-going with IBM and the most up-to-date detail will be reflected in the updated business case which will be presented to Members on the day of the meeting. This report contains information in draft form – hence the recommendations are not finalised. More detailed recommendations will also be presented at the meeting which will provide Members with more information on the affordability of the offering and how it will meet their aspirations.

2. Recommendations

- 2.1. The Executive Board is requested to approve that
 - (a) Somerset County Council confirms its commitment to entering into a Joint Venture with IBM, subject to the satisfactory conclusion of the final negotiations; and
 - (b) delegated authority be given to the Corporate Director (Resources), together with the lead Portfolio Holder to conclude those negotiations to achieve the agreed priorities of the Council, as well as ensuring optimum value in achieving those priorities (subject to the final deal being within the tolerances outlined at the meeting); and
 - (c) approval be granted to commission IBM to commence interim work on the procurement transformation project; and
 - (d) approval be granted for a supplementary earmarking of general fund reserves of £450,000 to fund ISiS programme costs.

3. Background

- 3.1.** In early 2005, Somerset County Council and Taunton Deane Borough Council jointly embarked on an ambitious and revolutionary programme to transform public service delivery in Somerset.
- 3.2.** The programme aimed to create a shared services environment for back-office functions, which would in turn facilitate the investment in technology, infrastructure and skills to transform the delivery of services to customers.
- 3.3.** Members have been briefed on progress of the programme at regular intervals over the last two years. The most recent report was considered by both the Executive and Full Council of both SCC and TDBC in late March 2007. The unanimous decision of both Councils was to appoint IBM as the preferred Bidder on the ISiS Programme, and delegated authority to the Corporate Director – Resources and the relevant Portfolio Holder to take forward negotiations as necessary to enable the contract to be finalised – focussing on the IBM Variant Bid proposals.

4. The Drivers for ISiS

- 4.1.** The key drivers for ISiS will be set out in detail in the revised business case and are summarised below:

- Customer Access

Both councils have ambitious plans to radically improve the way customers can access our services. Our original business cases set out our joint aspirations to reach and serve more people in more ways, in more places, and at more convenient times than ever before.

- Efficiency

The Gershon agenda requires local authorities to deliver efficiency savings of a cumulative 7.5% over a three year period commencing 2005/06. This is in addition to producing a balanced budget based on challenging financial settlements. The latest forecasts for the next Comprehensive Spending Review (CSR) round predict that authorities will be required to meet even higher efficiency targets – potentially around 3% per annum

- Transformation

The Councils have an ambition to transform their services by streamlining back office functions as well as reducing transactional costs by introducing modern technology.

- Localisation/White Paper

Both Councils are working towards a localisation model which will devolve, as far as possible, democratic decision-making to front-line Councillors, mirrored by local service commissioning and delivery models.

5. The High Level Objectives of the ISiS Programme

5.1. In summary, the high level objectives of the ISiS programme are as follows:

- To improve access to and delivery of customer-facing services
- To modernise, reduce the cost of and improve corporate, transactional and support services
- To help modernise and transform the overall workings of the County Council and Taunton Deane Borough Council
- To invest in new world class technologies to improve productivity
- To create an excellent working environment and a more sustainable employment future for staff
- To generate economic development by attracting a partner willing to invest in Somerset.

5.2. Further detail on the objectives is set out in Appendix A.

6. The Bid

6.1 The IBM Variant bid set out to achieve the Councils' broadest objectives and ambitions. The commercial offering is subdivided into elements which focus on delivering enhanced support services, a major project to transform procurement across both authorities and a "menu" of transformation projects which effectively "translate" the aspirational elements of the Councils' ambitions into projects which can be funded from procurement savings.

6.2 At time of contract it is proposed that five "core" transformation projects will be contracted for (known as Wave 1 Transformation Projects). These projects are:

- a) Enterprise wide SAP ERP implementation
- b) Replaced Customer Relations Management systems and piloted Customer Access improvement
- c) Roll-out of the People Excellence Model throughout the JVCO, hopefully as a precursor to organization wide roll out.
- d) Full county wide property review commissioned
- e) Procurement transformation

6.3 These "Wave 1" projects were prioritised either because they are fundamental to a sequential change programme or because they are fundamental to delivering core council policies. There are also some potential early candidates for Wave 2 projects – eg roll out of Broadband, and mobile working capability.

6.4 Future transformation projects will be commissioned and approved on a business case by business case basis. There will be a regular process of refresh and review of the developing transformation project portfolio to ensure it is aligned with Councils' priorities and ambitions.

6.5 A key component of the transformation programme is the transformation of our procurement processes. The savings generated will provide the funding stream for our transformation programme, together with the potential to meet other budget pressures faced by the Councils.

7. Timeline for Negotiations and Contract Closure

7.1 The recommendation presented to Members in March suggested an ambitious target for contract signature by the end of June 2007, with a view to contract commencement mid-July 2007.

7.2 For several reasons, the major one being the overall complexity of the negotiations of this unique venture, it was agreed that a revised target for contract signature of 27 September 2007 was more realistic. This will enable the negotiating team to achieve the optimum benefits for the Councils from the Joint Venture, and potentially allow the contract commencement on 1 October to be aligned with that of the Police.

7.3 The work to be undertaken between now and contract closure is largely legal drafting and commercial detail, and negotiating on detailed points (as opposed to points of principle). The business case presentation will therefore explain the “deal” as it currently stands, and request Members to approve progression to contract closure on this basis (within agreed tolerances).

7.4 In order to fast-track some of the savings required to fund the transformation programme, the Councils are discussing options around fast-tracking elements of the procurement transformation project. This could involve the Councils agreeing to progress some work “up front” of the main contract being signed. Further work is needed on this and the conclusion will be presented to Members at the meeting.

8. The Negotiation Process

8.1 The Negotiating process is extremely complex and has involved a large number of the Council’s officers in ensuring the contract we eventually sign with IBM delivers according to our needs and aspirations.

8.2 Teams of officers have engaged IBM across a range of workstreams and it is to their credit that significant progress has been made in progressing our negotiations. We decided at the outset to break the negotiations down into a range of workstreams and have resourced them accordingly.

The major negotiation strands are:

Commercials (including legal and finance) - to ensure we have an affordable business case that can be delivered within a legal framework.

HR and Governance - dealing with the key staffing issues and how the Joint Venture will be managed and directed.

Communications - reflecting the imperative to keep key stakeholders informed.

Transformation - to develop the key transformation projects into business cases.

Operational – to respond to the due diligence work to ensure the core services provided by the Joint Venture will effectively deliver to agreed standards and performance.

Programme Management – to support all of the above in terms of project planning, document management, administrative support, and meeting support.

- 8.3** The Commercials Workstream in particular has acquired some specialist negotiating skills which the three founding partners have “bought-in” from KPMG. Two experienced senior commercial negotiators have been seconded to the authorities to support the SROs in this process. The “added-value” this has brought to the deal will more than outweigh the not insubstantial costs incurred in bringing these skills to the programme.
- 8.4** The work streams have progressed well and have had to navigate through a range of complex issues. The extension to the deadline for contract signature will enable the workstreams to conclude their negotiations and to achieve optimum benefits for the Councils.

9. Governance Arrangements

- 9.1** As with earlier stages of the ISiS Programme, the Joint Members Advisory Panel (JMAP) has been closely involved in progress of the negotiations. They have met weekly since the end of March and have provided invaluable support and detailed scrutiny of the negotiations thus far.
- 9.2** In addition, the Joint Programme Board (made up of the corporate management team of the two Councils) have met regularly and provided guidance on points of principle for the negotiating progress.
- 9.3** It is proposed to continue this high intensity governance during the remainder of the negotiation process. Thereafter, the governance arrangements will change to support the “live” partnership. Details of the future governance arrangements are contained in the Business Case to be presented to Members at the meeting.

10. Memorandum of Understanding

- 10.1** The three authorities have been working jointly on the ISiS Programme for some time now. We have a Memorandum of Understanding in place between the three organisations to offer protection around working arrangements in the future.

11. Programme Risks

- 11.1** There is a rigorous process of programme and contract risk identification and mitigation in place for the ISiS Programme. This is reviewed monthly by the Joint Programme Board.

12 Strategic Investment Review

- 12.1** MAANA Consultancy has very recently undertaken a Strategic Investment Review on the ISiS programme.

- 12.2** Informal feedback suggests that the programme is progressing well. The final feedback session is scheduled to take place prior to this meeting, so any new issues emerging will be flagged to Members.

- 12.3** Any recommendations from this review together with the full report from MAANA will be shared with Members through the Joint Members Advisory Panel, and Joint Programme Board in due course.

13. Consultation

- 13.1** Engagement with the Staff Consultation Forum and Unison has continued throughout the period since the Preferred Bidder decision in March 2007. It is expected that this will continue, and perhaps step up a gear in the months leading up to contract commencement.

14. The Framework Agreement

- 14.1** The framework arrangements for the Partnership were drawn up so that other public sector organisations in the South West could also join, or benefit from the services that the Partnership will offer. To date, over 30 local authorities have expressed an interest in joining the arrangement. This particular initiative is being supported and developed on a regional basis through the South West Centre of Excellence.

15. Preparing the County Council for Change

- 15.1** Staff who fall within the scope of the ISiS Partnership and who will move to the Joint Venture arrangement need to be properly prepared for, and supported through the significant change that lies ahead. Work is already taking place within these services to ensure there is a smooth and successful transition to the new arrangements and that staff and managers are properly prepared for this new environment.

- 15.2** Planning and preparation for change will not however be confined purely to these services that are “in scope” – setting up the Partnership is intended to help the *whole* Council transform the way that customers access and receive their

services.

- 15.3** Front line services therefore also need to be prepared for, and involved in the significant change that the Partnership will bring to the council's ways of working. The planning work referred to above therefore covers the preparation we need to make across the council as a whole to ensure we optimise the benefits that this new Partnership can bring.

16. The SCC ISiS Programme Budget Position

- 16.1** Members originally assigned a budget of £1.64m for the ISiS programme at their Executive Board meeting on 7 September 2005.
- 16.2** It is now appropriate to review this position, in light of the extended timetable, and the new negotiation resources.
- 16.3** The latest prediction based on best estimates indicates a need for a further £450,000 for the County Council's share of costs to bring us to contract signature at the end of September 2007. Members will note that the overall programme costs are shared between the three authorities.
- 16.4** In view of some of the uncertainties surrounding these estimates it is proposed that the additional sum is earmarked within general reserves for draw-down when and if necessary. JMAP will continue to provide a scrutiny of the project costs incurred to programme close.

17. Background papers

- 17.1** Report to Executive Board and Scrutiny Committee – Improving Services in Somerset – 20 March 2007

Note For sight of individual background papers please contact the report author

APPENDIX A

Objective	The End Goal	The Culture
To improve access to and delivery of customer-facing services	<ul style="list-style-type: none"> • Customers experience real excellence in both access to and provision of service, through ways which best meet their needs • Customers have a choice of how they access services with 90% of service enquiries resolved at initial point of contact • Customers experience excellence through personalized and localised services, including through local 'hubs' – eg village halls/ 'clubhouse' model 	<ul style="list-style-type: none"> • Customer driven and customer focused (not inward looking) • We get it right first time, every time
To modernise, reduce the cost of and improve corporate, transactional and support services	<ul style="list-style-type: none"> • Integrated support services and transactional services which meet the precise needs of front line services and represent Industry best practice across whole organisation – • 'Better for less' 	<ul style="list-style-type: none"> • Flexible (not bureaucratic) • Open and inclusive • Information sharing • Continually improving • Multi-skilled • Process efficient • Cross fertilisation
To help modernise and transform the overall workings of the County Council and Taunton Deane Borough Council	<ul style="list-style-type: none"> • A refreshingly modern organisation that puts the needs of customers first and delivers services in the most effective way • <i>A market leader partner</i> 	<ul style="list-style-type: none"> • Delivery focused, (not service led) • Innovative and challenging • Accessible and flexible • National /International reputation • A UK HQ?
To invest in new world class technologies to improve productivity	<ul style="list-style-type: none"> • Open new markets • Investment in: <ul style="list-style-type: none"> - £££s - People - Skills - BPR - ICT - Buildings 	<ul style="list-style-type: none"> • Able to diversify and expand to incorporate new business

<p>To create an excellent working environment and a more sustainable employment future for staff</p>	<ul style="list-style-type: none"> • A Somerset business centre based in Taunton Deane providing excellent /support services to public authorities in Somerset and across the Region 	<p>The best employer around (not just the local choice)</p>
<p>To generate economic development by attracting a partner willing to invest in Somerset</p>	<ul style="list-style-type: none"> • Economic regeneration, investment and employment opportunities 	