

Report to: Cabinet



Listening Learning Leading



Report of Head of Corporate Services

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To: CABINET

Dates: 3 July 2023 (South) and 3 July 2023 (Vale)

To: COUNCIL

Dates: 13 July 2023 (South) and 12 July 2023 (Vale)

Update on the councils' Information Technology Infrastructure

Recommendations

Cabinet is asked to note this update and to:

- a) reaffirm the councils' (South and Vale) intention to pursue a separate Microsoft Office 365 (M365) tenancy as part of the councils' overall transformation programme and planned exit from the outsourced IT arrangements
- b) that should a) be agreed, recommend to Full Council that a supplementary estimate of £326,000, funded as set out in paragraph 28 below, be added to the 2023/24 revenue budget.
- c) Authorise the Deputy Chief Executive Transformation and Operations, in consultation with the relevant Cabinet member, to take all necessary steps to implement the councils' withdrawal from the shared M365 tenancy.

Purpose of report

1. This paper provides a summary of the current discussions relating to the councils' Information Technology (IT) arrangements. The paper seeks support to progress with the implementation of the councils' previously agreed approach to create a single tenancy for our M365 infrastructure. This intention is part of the councils' Technology Strategy originally agreed in 2018 and re-affirmed in 2021.

Corporate objectives

2. South – Investment and innovation that rebuilds our financial viability.
3. Vale – Building Stable Finances

Background

4. The Five Councils' Partnership (5CP) entered a contract with Capita dated 4 April 2016, with services commencing on 1 August 2016 - IT was among the services included. The expectation was that savings could be achieved through the economies of scale obtained by sharing services with a common operating model applied to all partners.
5. Accordingly, Capita implemented an IT infrastructure for the 5CP which included a number of shared servers and a shared platform for M365. It is the sharing of M365 which is the primary topic of this report.
6. Through the life of the 5CP contract it has been clear that the partners' objectives have – quite naturally – evolved from the thinking initially set out in 2015. The benefits of sharing an IT platform are now outweighed by the need to have an independent line of business applications which enable each partner council to pursue its own specific technology strategy.
7. For several years, therefore, the councils (South and Vale) have been seeking to segregate the M365 implementations to be able to take advantage of what M365 can provide to meet our own digital aspirations. Notwithstanding concerted efforts, to date it has not been possible to agree commercial terms for M365 segregation which represent good value for the councils. However, we have now received details from Capita of the scope, cost, and timelines to complete this project.

Technology Strategy and Roadmap

8. A joint Technology Strategy covering both councils was originally agreed in 2018. This was reaffirmed by South Oxfordshire Cabinet on 4 November 2021 and Vale of White Horse Cabinet on 29 October 2021 to take account of the councils' experience of working through, and response to, the pandemic and recent advances in the wider technology landscape.
9. Two factors have led to the new proposal which is for discussion here. The first is that the end of the contract (30 September 2025) is now close enough to necessitate careful exit planning. It would be very unwise to leave the unpicking of a shared IT infrastructure to the very end of the contract as this would require a great deal of resource precisely at a time when the incumbent provider will find it difficult to maintain high standards. The councils have therefore engaged in a series of workshops and

discussions with each other and with Capita to agree an outline roadmap for a step-by-step series of IT changes to be made before the end of the contract.

10. The second factor, linked to the first, was the reorganisation of local government in Somerset. One of the five council partners was Mendip District Council which, along with three other districts and the county, has with effect from 1 April 2023 been replaced by a unitary Somerset Council. The first major step in the IT roadmap was the segregation of Mendip's M365 and removal of their IT from the shared infrastructure. This work was completed successfully on time and well under budget and has helped to establish a template for subsequent projects.
11. The high-level roadmap agreed with Capita in the autumn of 2022 has the segregation of South and Vale's M365 environment as the next major project to follow on from Mendip's if the councils wish to pursue it. Other partners are also keen to pursue their goals and will undoubtedly press their case if given the opportunity to do so. There is thus a window of opportunity at present which will not remain open indefinitely.
12. Some of the current frustrations for the councils with a shared M365 tenancy include that delivery of any requested or required changes is considered to be slow, constrained by the lowest common denominator in terms of the other clients in the outsourced service provision and not providing evidence to support best value for money for the councils. Recent examples include:
 - Limitations on adoption of up-to-date IT user and domain management, such as patch management and overly complex security models for other cloud services, alongside serious deficiencies in digital collaboration due to the Single Shared Tenancy (for example we are unable to use full Teams capability, Power BI or other Power solutions)
 - Outdated telephony solutions and relatively high costs of maintaining them, both for staff and the public (through the Contact Centre)
 - Excessive project management costs on service requests across IT applications
13. A combined single tenancy M365 for South and Vale, will give us the opportunity to overcome some of the frustrations the councils have, but it must be stressed that this will not be an immediate fix, it will take time to implement and embrace the technology to support shared cloud-based collaborative working i.e. through SharePoint and fully-utilising MS Teams.
14. Considering the high-level roadmap, South and Vale's continuing ambition to progress their IT/Transformation strategies, and the clear desire of other councils to push forward with their own strategies, discussions took place with Capita about removing South and Vale from the 5CP M365 shared tenancy.
15. An early offer (Rough Order of Magnitude) from Capita which indicated broad scope, cost, and timelines for this activity, has been reviewed by colleagues and a request was made to Capita to draw up a fully costed proposal (and an Impact Assessment). Officers have now received this detail and have conducted a detailed review of the proposal with Capita.
16. There is no contractual reason why we would have to do this exercise using Capita resources solely – a preliminary examination of G-cloud frameworks show that there are other organisations who have experience of separating out and migrating to a new

stand-alone M365 tenancy. Officers have therefore had exploratory discussions with other third parties to validate timelines and rough costs.

17. Clearly moving forward, if this approach is agreed, and whichever third party, or parties, we use will involve utilising the councils' staffing resource. However, due to the specialist nature of this project it is proposed to seek appropriate external resource to support the councils. An added dimension to this M365 work will be understanding how each of our legacy systems/applications/services are provided by Capita and the inter-dependencies which link them together. We will need to carefully plan how we provide these systems to ensure they continue to operate – it is proposed that additional external project resource will also support this significant piece of work. Engaging specialist resource is also expected to reduce our risk exposure.
18. Allied to this major project we are scoping out what the councils in house IT Team will look like after the creation of the M365 tenancy and longer-term, at the end of the Capita contract in 2025. Functions to be covered will include a larger systems admin team and in-house technical and help desk support. Initial thinking would suggest that we should start the recruitment exercise for these posts over the coming months, so the councils are in a strong position to facilitate our own expanded IT service and support this transition.
19. We are also discussing with Capita approaches to ensure that all technology changes are managed well and, business as usual is maintained for the rest of the contract through to October 2025. We have received an early proposal which would involve creating a dedicated programme team, managed by Capita, to meet these goals. We would see this resource as enabling an orderly exit from the contract and managing the changes required using a programme management approach encompassing all IT transition projects across the partnership.

Options

20. Considering the discussions that officers have held with Capita it is proposed that the councils agree to move forward with the segregation of our M365 tenancy and create a stand-alone environment for South and Vale.
21. Other options considered included waiting to the end of the Capita contract in 2025 but this was discounted as the current frustrations with the shared M365 environment would remain. Officers also consider that the complex unpicking of our current IT arrangements should not wait until the contract end.

Climate and ecological impact implications

22. The Joint Technology Strategy enables the councils to take a positive position, using digital means, in its efforts to tackle the Climate Emergency by improving the efficiency of service provision.

Financial implications

23. Any council decision that has financial implications must be made with the knowledge of the councils' overarching financial position. For South, the position reflected in the council's medium-term financial plan (MTFP) as reported to Full Council in February 2023 showed that it is due to receive £640,000 less in revenue funding than it plans to spend in 2023/24, with this budget gap expected continue in future years. For Vale, a

balanced budget was set in 2023/24 but there is expected to be a budget gap in future years. However, there is great uncertainty over this caused by a lack of clarity from government.

24. The funding gap at both councils is predicted to increase to over £7.8 million by 2027/28, based on current cautious officer estimates of future funding levels. Whilst it is anticipated that overall funding for the councils will remain relatively unchanged in 2024/25, the lack of certainty on future local government funding from 2025/26 onwards meaning the level of funding, and the resulting estimated funding gap, could be significantly different from current officer estimates in either a positive or negative way. Every financial decision, particularly those involving long-term funding commitments (i.e. those beyond 2024/25), needs to be cognisant of the potential for significant funding gaps in future years.
25. Indications provided by Capita show that the one-off cost of creating the M365 infrastructure is likely to be circa £190,000 per council with an ongoing annual revenue support cost of £45,000 per council. In relation to the latter annual cost for ongoing support, if this proposal is agreed, there is a reasonable expectation that the project will be completed by late December 2023/early January 2024 – this will mean that the initial support cost in the current financial year will be circa £11,000 per council, i.e. 3 months of the annual charge.
26. As referenced earlier the specialist nature of this project and the need to ensure that all our applications continue to work effectively, will require external staffing resource. Early discussions have indicated that the cost of this resource is likely to be in the sum of £75,000 per council for the period until the end of March 2024. Over the same period, managing the IT element of the 5CS contract to ensure an orderly exit, is likely to be in the sum of £50,000 per council. In summary therefore the estimated costs for the 2023/24 financial year are as follows:

Element	Estimated Cost (£)
M365 infrastructure	190,000
Annual Support (Jan-Mar 2024) <i>(N.B. the full year cost is £45,000 per council;</i>	11,000
South & Vale Project Support	75,000
Contract Exit Programme Support	50,000
TOTAL	326,000

27. The 2023/24 revenue budget does not include funding for this work, and Cabinet therefore recommends to Council a supplementary estimate of £326,000 for each council be included within the 2023/24 revenue budget, and that the ongoing revenue costs be included in future budgets as essential growth.
28. The MTFP for the period 2023/24 to 2027/28, which was approved by Council alongside the 2023/24 revenue budget, included an estimate of one-off costs to be incurred in future years associated with the exit and service transformation required

across all services included in the Capita contract, ahead of the end of the contract in September 2025. When the MTFP was approved this figure was estimated to be £1.5 million for each council. It was proposed that the council would, as allowed under the rules for the flexible use of capital receipts, fund these one-off costs, from those receipts. Ongoing costs arising from such work will be funded from revenue reserves. Discussions subsequently with Capita have provided greater clarity to officers on the timing and nature of such costs.

29. These discussions with Capita have allowed an opportunity to progress this activity sooner than was expected when the councils' budgets were set for 2023/24. Officers are recommending that we proceed with this project within the cost parameters quoted above. This will have the added benefit of retaining the councils' position as 'first in line' with Capita for this project. It is also acknowledged that we will seek to carefully manage our costs.

Legal implications

30. There are no specific legal implications arising from the recommendations but there will be several collateral legal actions necessary to deliver an exit from the M365 tenancy. These will include potential procurement of external resources, contract negotiations and a variation all of which will need legal input and resource as part of the project team.

Risks

31. There are several risks associated with this project should it proceed, covering the areas of finances, staffing and technology. If agreement is reached to progress, officers will ensure that a full risk register is created, updated, and reported on as appropriate through normal democratic routes.

Other implications

32. As this stage no other implications have been identified.

Conclusion

33. (a) Cabinet is asked to note this update and to reaffirm the councils' intention to pursue a separate M365 tenancy as part of the council's overall transformation programme and planned exit from the outsourced IT arrangements.
- (b) That should (a) be agreed, recommend to Full Council that a supplementary estimate of £326,000, funded as set out in paragraph 28, be added to the 2023/24 revenue budget.
- (c) Authorisation is requested for the Deputy Chief Executive Transformation and Operations, in consultation with the relevant Cabinet member, to take all necessary steps to implement the councils' withdrawal from the shared M365 tenancy.

Background papers

- Adopted IT Strategy (Cabinet decisions, October/November 2021)
- Revised IT Roadmap