



## **Capita Contract Extension Proposals**

### **RECOMMENDATION**

- 1.1 To approve in principle Capita's extension proposals
- 1.2 To delegate responsibility to the Director of Finance and Director of Corporate Services to agree the final terms and conditions of the extension agreement

### **REASON FOR RECOMMENDATIONS**

- 2.1 The original contract with Capita was due to terminate in October 2003. In April 2003 we agreed a two year extension to run until October 2005. Capita had originally tabled proposals for a five year extension but these were rejected as we were still developing our e-Derby strategy. We felt unable to commit to the extended timescales without a clearer vision of where we wanted to be in the future and the effect that may have on the way we wanted our IT services to be delivered. However, we agreed to consider a further extension, once we had completed the e-Derby strategy document. The e-Derby strategy has now been completed.
- 2.2 Capita's have tabled proposals for a further three year extension, which would extend the contract to October 2008, the maximum allowed under the original contract provisions.

### **SUPPORTING INFORMATION**

- 3.1 There have been extensive discussions and negotiations with Capita over the terms and conditions of the proposed extension. We have emphasised the importance of the Council receiving significantly improved financial arrangements, along with the provision of services better reflecting our needs, both for improved service levels and quality of services, and the flexibility and resources to respond to delivering our e-Derby strategy. The overriding driver has been 'better and more for less'.
- 3.2 Capita are keen to continue and develop their relationship with us, and have had to recognise that in order to continue to provide our services they needed to respond positively to our requirements.
- 3.3 Capita's commitment to implementing industry best practise procedures, drawn from the Information Technology Infrastructure Library (ITIL) guidelines, and putting in place revised internal management and operational structures, have resulted in improved service levels. These proposals aim to build on these improvements by

continuing to develop and improve the quality of services. The proposals highlight the following key service improvements:

- Completion of a local dedicated e-support team and infrastructure to provide greater focus on pro-active remote management of the network, servers and the desktop estate.
- Development of a centre of excellence, based in Derby, to improve the levels of support, and build up a knowledge base which should help achieve improved levels of service
- Technical Consultancy to drive forward the proposed changes detailed in our ICT Infrastructure Roadmap – 60 days a year. This will be provided at no cost to the Council
- Improved Procurement Service, to include the development and administration of an on-line procurement service. The new service, depending on the level of purchasing, could provide up to 30% saving on the procurement service administration charge, based on the current level of expenditure, plus significantly improved supplier prices as a result of Capita's recently agreed purchasing arrangements with a major ICT equipment supplier
- 'Shopping List' of Additional Services to supplement the agreed Core Service

3.4 In order to facilitate the introduction of additional services under the new contract, Capita have proposed the inclusion of a call off framework. The framework lists a number of work packages that have been identified as key to the achievement of the Council's e-Derby Strategy and Building for Excellence programme. Also included under the framework are a number of innovations, savings and benefits.

3.5 The anticipated benefits from the call off framework include:

- Contribution of £70,000 in year one towards the discounted cost of a pool of 200 consultancy days.
- Saving of over 20% on Capita's typical Consulting fee rates
- Commitment to develop jointly with Microsoft a UK Local Government 'compatible' version of Microsoft CRM
- Savings on current voice tariffs
- Potential synergies from voice and data convergence
- Capita's commitment to develop a proactive strategy for the effective pursuit of additional funding, to include assistance with the initial application and ensuring that grants are utilised within the time limits prescribed
- Greater focus on pro-active account management, to include quarterly strategic planning meetings and twice yearly innovation days

- Commitment to leverage and pass on the benefit of Capita's strategic alliances, to include Capita's strategic partnerships with Microsoft, BT, HP and SCC

3.6 Overall, the proposals should deliver:

- More resilient and reliable IT service
- Cost reductions and efficiency savings
- Improved service levels
- Building blocks that will underpin the delivery of the Council's objectives, modernisation agenda and improved services.

3.7 The extension deliverables will be underpinned by a clear improvement plan, with specific defined outcomes, that will be performance managed by Capita and the Council to make sure the full benefits of the proposals are delivered.

3.8 The proposals have been fully considered by Chief Officer Group, the e-Derby board, and the Technology Planning Group. In addition, the proposals have also been issued to departmental IT liaison officers for departmental comment and feedback.

3.9 Capita have responded positively to our requirements, and have delivered proposals that provide improved financial arrangements, with further savings anticipated, along with improved provision of services, and options for additional services and resources to help us deliver our e-government targets. In essence, the proposals provide a more cost effective and stable platform for us to deliver our e-services requirements, and to meet the government's 2005 targets and beyond.

#### **OTHER OPTIONS CONSIDERED**

4.1 We have evaluated the Capita proposals both from a service delivery and financial point of view, and during this exercise we considered a number of alternative options.

4.2 We considered whether at this stage of our infrastructure and service developments it would be feasible and desirable to carry out a full review of the way we have our IT services delivered. We also considered the options of more in house resources, and possibilities of splitting off some of the services, with the option of these of being delivered by other suppliers.

4.4 The following key issues came out of these considerations:

- The Capita proposals will give us a stable platform and a more cost effective service for the delivery of our objectives and priorities over the next 4 years
- The risks of carrying out a full tendering exercise, with the possibility of having to change our supplier, were considered to be too great at this stage of our development cycle, especially as we are under considerable pressure to deliver our own and central government's 2005 targets

- We are already gradually increasing our internal resources, where appropriate and where necessary, and this growth will help improve the services we can deliver. It will also help develop the in house expertise to complement the services delivered by Capita and give us a stronger in house base for any changes in the future
- Capita have built into the extension proposals more flexibility around the use of other specialist partners/suppliers where they do not have the appropriate skills available. We can benefit from this by getting 'best of breed' expertise through the provisions of the proposed extension

4.5 As already outlined, we are in a period where we are under considerable pressure to deliver on our own, and central governments 2005 targets. In order to achieve these targets, we need a stable and known environment for the delivery of ICT services. We feel the extension proposals will deliver this in a cost effective manner

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<b>Background papers:</b>	Capita's extension proposals
<b>List of appendices:</b>	Appendix 1 – Implications
	Appendix 2 – Summary of Proposals
	Appendix 3 – Cost Comparison Table

<b>IMPLICATIONS</b>
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**Financial**

- 1.1 The new annual charge for core services, based on increased volumes, will be £2,593,742. This compares to the current charge of £2,721,373 for existing volumes, which would increase to £2,774,620 for the anticipated growth in our requirements.
- 1.2 Based on current volumes, the new arrangements give an annual saving of around £125,000. However, with the predicted growth in volumes, the estimated savings will increase to around £180,000 a year. This equates to an annual saving of about 6.5% in the core service charges, but nearer to 10% when assignment day costs are excluded.
- 1.3 A summary of the charges are detailed below:

Current Service	£2,721,373 pa.
Current Service - new volumes	£2,774,620 pa.
<i>New pricing (effective from 01/04/04)</i>	£2,593,742 pa.

**Anticipated Savings**

Initial annual saving – current volumes	- £127,631 pa.
Projected annual saving – new volumes	- £180,878 pa.
Projected cumulative saving (to 04 Oct 2008)	- £787,326 pa.

A full breakdown of costs are given in Appendix 3

- 1.4 A major exercise is underway to review and upgrade desktop and other facilities. Savings here will be needed to re-invest in these improvements. A further report detailing these proposals will be brought to cabinet in 2004/5.

**Legal**

2. Within the terms of the original contract provisions, we can extend the contract up to October 2008.

**Personnel**

3. None

**Equalities impact**

4. None

**Corporate objectives and priorities for change**

- 5.1 The contract extension will help achieve the corporate objective of providing 'integrated, cost effective services'

5.2 The contract extension will contribute to the following corporate priorities for change:

- 'minimise increases in Council Tax and increase value for money from Council Services
- respond to people's needs appropriately, on time and first time, by developing a customer focused culture, using new technology and investing the Council's buildings to provide modern environments for service delivery and employees.

## SUMMARY OF PROPOSALS

### CORE SERVICES

#### Service enhancements

- 1 Capita's proposals detail a number of optional service enhancements. We are likely to agree to the following:
  - Annual arrangement for Web Site/Intranet SQL/Application Support (08.00 – 17.30, Mon – Fri)
  - Extended Firewall Support to 24 x 7. To be achieved by purchasing a fully mirrored firewall and switch over facility
  - Revised procurement service and charging arrangements
  - CODAS support to include Debtors as part of annual support arrangements rather than being on a time and material basis
  - Extended Desktop Support Hours (08.00 – 18.00 Mon – Fri)
  - Extended Network Support Hours for Libraries (Saturday 09.00 – 16.00). Requested by libraries and if agreed, to be paid for by libraries
  - PDA Support – If agreed, will be paid for by departments. Currently paid for on a 'time and material' basis, recharged to departments
  - Server/Network Planned Maintenance service (out of hours)
  - Additional Firewall support and security monitoring service
  - Extended support hours for Derby Homes 18.00 - 20.00. If agreed, to be paid for by Derby Homes
2. Further savings in core service charges are anticipated by the introduction of a new 'Service Delivery Model', which will include the implementation of a standard operating environment (SOE). The SOE will be achieved by installing standard Microsoft software on all desktops along with implementing standard operating and remote support environments across the whole of the authority's networks. This is very much in line with recognised best practice. It is expected that savings in core service charges of between 5% and 8% should be achieved, or between 8% and 12% when assignment day costs are excluded. These additional savings are not guaranteed, but will be proved by the implementation of a 'proof of concept' pilot project to trial the new service delivery model.

## **CALL OFF FRAMEWORK**

3. In order to facilitate the introduction of additional services under the new contract, Capita have proposed the inclusion of a call off framework. The framework lists a number of work packages that have been identified as key to the achievement of the Council's e-Derby Strategy and Building for Excellence programme. Also included under the framework are a number of innovations, savings and benefits.

### **Consultancy Services**

4. Capita are proposing that they carry out a high-level review of services/processes aimed at helping appraise the options, and identify the key priorities for Business Process Re-engineering (BPR) and ICT related development. The Council's fundamental process review approach would then be applied to each potential priority service/process and/or ICT development.

### **Consultancy costs**

5. Capita propose the following commercial arrangements:
  - a pool of 200 days to be used within 12 months and charged at a flat rate (including all Capita Consulting grades from Associate Director to Consultant) of £850 per day (excluding VAT and expenses) giving a total commitment for year 1 of £170,000 (to be renegotiated annually)
  - a schedule of rates (on the same basis) for any further work over and above the 200 days

### **Capita contribution**

6. Recognising the importance of change management and business process re-engineering to the achievement of the Council's e-Derby Strategy and Building for Excellence programme, Capita have agreed to contribute £70,000 in year 1 towards the discounted cost of a pool of 200 consultancy days. This would reduce the cost for this service in year 1 to £100,000, equating to a day rate of £500 (excluding VAT and expenses). This compares to normal rates of around £900 a day.

### **Work packages**

7. Based on the analysis work carried out in the latter half of 2003 following publication of our e-Derby strategy, Capita have outlined a number of specific work packages within the proposal which they feel would make a significant contribution to the achievement of the Council's e-government aspirations:
  - e-Derby Portal

Enterprise Portals can be described simply as a personalised information delivery and access facility, usually capable of providing access through multiple devices to electronic information and applications. The Portal links both internal and external users with applications and information they need to undertake their daily business tasks. A more complex description would be,



a delivery mechanism integrated with a variety of applications, providing collaboration, content management and workflow management

- **Customer Relationship Management**

A number of definitions exist for Customer Relationship Management. A useful definition in the context of the public sector is:

Customer Relationship Management is a term used to encompass the methodologies, software, and communication capabilities that help organizations to structure and manage their customer relationships and interactions, with the objective of increasing customer satisfaction with the organisations' products or services

This definition emphasises the fact that CRM is not solely concerned with products or services, but all of the interactions with the customer

- **Integration & Collaborative Working**

The ability for people to work together and collaborate effectively is an essential ingredient in delivering successful projects. Integration and Collaborative Working centres around empowering users to work faster and smarter. Technology increasingly contributes to supporting effective collaborative work environments, providing tools that allow employees to share quickly, appropriately and effectively the information that they control

- **Enterprise Application Integration (EAI)**

Enterprise Application Integration is a mechanism which allows diverse applications to communicate with one-another in a back-office environment. EAI can bring a number of significant benefits to the increasingly complex business processes within organizations

8. We will be agreeing with Capita on an ongoing basis, how we want to take up the development of these work packages.

## **Innovations and Savings**

9. As part of Capita's response to our request to provide a more proactive approach to working with the Council, they have included a number of options aimed at providing added benefits:

- e-Learning Environments
- Voice / Data Improvements
- Funding Options
- Innovation Days

10. **Voice tariffs**

Capita believe that there are a number of areas in the voice and data network area where benefits could be gained by further investigation of possible options. Following a meeting with the Council, BT and Capita a number of actions were taken to move this forward and the current state of these actions is presented below:

**Tariffs** – voice tariffs are provided by BT at Commitment Level 7. Featurenet tariffs are 21c and 21e. A copy of the current bills for voice were provided by the Council to enable BT to analyse whether a more cost effective tariff could be made available under Capita's arrangements with BT.

BT have completed the analysis of the voice tariffs, and the comparison with the existing Commitment Level 7 rates gives savings in the order of 25% for local calls and 55% for national calls should we contract with Capita. The investigation of the Featurenet charges is ongoing and is being checked both in terms of improved tariffs and alternative options.

### **Account Management**

Capita have a major corporate agreement with BT for the provision of Voice and Data networking services and are able to offer the Council the ability to benefit from this relationship.

If we want to pursue this option, Capita would add value by providing a single point of contact for the Council in any dealings with BT business.

Currently BT provide Capita with a dedicated Account Team. The Council would immediately benefit from this structure which would make sure that any BT related issues, queries and opportunities are managed by the Capita team.

## Cost comparison table – revised volumes

Service	Current Charge (£)	New charge (£)	Saving
Mid-range operations and production	308,400	277,580	30,840
Desktop support	582,068	523,861	58,207
Server support	434,510	391,059	43,451
Network services	307,505	276,755	30,751
Helpdesk	100,262	90,236	10,026
Mid-range disaster recovery	21,872	21,272	-
Cash Receipting system (CR2000/Remit)	13,480	13,480	-
Finance system (CODAS) support	8,414	8,414	-
Email system (MS Exchange) support	76,032	68,429	7,603
Social Services system (SWIFT) DBA support	15,760	15,760	-
Server hosting (first 9 )	23,007	23,007	-
Server hosting (additional 15)	23,130	23,130	-
Enhanced service for Members	Inc in desktop support		
Firewall support	8,548	8,548	-
Winter support £180 from 01/04/04	19,980	19,980	-
<b>Total support charge 2004/2005</b>	<b>1,942,968</b>	<b>1,762,090</b>	<b>180,878</b>
Assignment days	766,374	766,374	-
<b>Totals</b>	<b>2,709,342</b>	<b>2,528,464</b>	<b>180,878</b>

Planned additional services	Costs allocation	Additional cost £	Cost driver
Web Site/Intranet SQL/Application Support (08.00 – 17.30, Mon – Fri)	Corporate	17,500	N/A
Procurement Service	Departments	60,000 Current purchasing surcharge will be removed. £80,000 in 2003/04	Departments will be re-charged a proportion of the service charge, based on their percentage of the total goods purchased
Finance System (CODAS) Support (including Debtors)	Corporate	6,586	N/A
Extended Desktop Support hours 8.00 to 18.00	Corporate	F.O.C	N/A
Server/Comms Planned Maintenance (out of hours)	Corporate	40,000	N/A
Additional Firewall support and security monitoring service	Corporate	19,000	N/A
PDA Support	Departments	Depends on take up	£100 per device
Extended network support hours for libraries	Libraries	19,000	N/A
Extended support hours (Derby Homes) 18.00 to 20.00	Derby Homes	16,000	N/A