**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO**

**Cabinet**
**06 December 2022**

**Report Title:** **Procurement of ICT Server Support**

**Submitted by:** **Chief Executive**

**Portfolios:** **One Council, People and Partnerships**

**Ward(s) affected:** **All**

**Purpose of the Report**

To advise Cabinet on the options available for the ongoing support of the Councils' ICT server infrastructure, and the reasons for recommending the procurement of these services from a commercial provider.

**Recommendation**

**That Cabinet:-**

1. **Notes the need to transition the way in which it hosts its major computer systems; and,**

2. **Delegates authority to the Chief Executive, in consultation with the Portfolio Holder for One Council, People and Partnerships, to award a contract to a supplier of ICT Server Support Services following a competitive tender process against the NHS Digital Workplace Solutions framework.**

**Reasons**

Following the recent resignation of the Council's Infrastructure Lead, the council currently has no staff in its server support team. This creates an urgent problem to resolve, but also an opportunity to look at alternative delivery methods.

## 1. Background

1.1. Newcastle-under-Lyme Borough Council currently hosts most of its major computer systems within two data centres. The primary one is located at Kidsgrove Town Hall and the secondary is based in the depot.

1.2. The server infrastructure in these data centres is supported by the Infrastructure team, which comprises an Infrastructure Lead and a Senior Infrastructure Officer.

1.3. There has been 100% attrition in this team. The previous Infrastructure Lead left the Council in August, and was replaced by the Senior Infrastructure Officer, and a recruitment process was initiated to fill the resulting vacancy. To date we have been unable to recruit to this post. Now the new Infrastructure Lead has resigned and is due to leave the council in December. This leaves a significant gap in the council's ICT capability.

1.4. The council is currently in the process of recruiting a permanent Head of IT and Digital Services, with an expectation that the successful candidate will commence duties in February or March 2023.

1.5. To mitigate the risks around these vacancies, an arrangement has been in place with a third party supplier to provide additional capability and capacity. This arrangement is being extended to safeguard the council whilst a more permanent arrangement is made to cover the server support requirements over the next 3-5 years.

1.6. The council has started to move some of its systems off premise into the cloud, and the council is planning to move all systems into the cloud within the next datacentre refresh window (normally 5 years).

## 2. **Issues**

2.1 Retention of technical staff - Newcastle-under-Lyme is well placed for commuting to Manchester and Birmingham, so we have to compete hard to attract high quality and skilled engineers. Our current salary packages tend to be between 50% and 75% of the going market rates according to the ITJobswatch website which tracks vacancies across the country.

2.2 Move to cloud – The Council has started to move some of its core systems to the cloud, but migrating the systems and their data is complex, and cloud offerings themselves bring cost pressures which must be properly controlled. Transition to cloud services must move at a pace that ensures best value for the Council, and there is a medium term need for skilled engineers to maintain the on-premise infrastructure as it is gradually wound down, but also to support the migration activities. However a move to cloud is largely inevitable as more systems providers adopt cloud delivery as their primary delivery model, and once completed there will be no further need for specialist server engineering support.

2.3 Knowledge retention – both of the individuals who have resigned had around 15 years of experience at the Council, and were intimately familiar with the infrastructure and it's set up. Although NuLBC uses generic and widely available server technologies, they are configured and tuned to best support the specific applications that we have running on them. The incumbent third party supplier has supported us through a number of projects over the years and has a degree of knowledge about our set up.

2.4 Budget and establishment – the Council continues to face pressures in it's general fund operating budget and there is no expectation that this situation will get any easier. This means there is no likelihood of being able to expand the infrastructure team to a size where it is resilient to attrition. The current size of two FTE is the bare minimum that we can safely operate critical infrastructure, but when either of these FTE leave, we are forced to buy in additional capacity to safeguard the Council's access to core systems and data.

3. **Proposal**

3.1 The recommended option is to outsource the infrastructure service with immediate effect, using an appropriate procurement route through the NHS Digital Workplace Solutions Framework.

3.2 The current staff costs for running this service are:

| Role | Grade | Hours | Salary (inc on costs) £ |
|---|---|---|---|
| Infrastructure Lead | 11 | 37 | 49,618 |
| Senior Infrastructure Officer | 9 | 37 | 43,296 |
| | | | |
| **Total** | | | **92,914** |

3.3 Whilst it is expected that a service can be procured within the existing staff establishment costs it is recommended that at this early stage a contingency of 30% is factored into the costs, giving a total expected envelope of £120,788. This contingency amount will be managed within existing budgets and does not represent an increase in overall expenditure, but covers the council in the eventuality that additional resource is required to deliver projects, or deal with unplanned incidents in the data centres without having to renegotiate the contract.

3.4 To meet the timescales for the migration of services into the cloud, the contract will be taken for a maximum of 5 years but we will be seeking an opportunity to break at 3 years.

4. **Reasons for Proposed Solution**

4.1 The current strategy position sets a finite time window for exiting our data centres and moving all services to the cloud. Having a flexible resourcing model around the cost centres helps to minimise the stranded costs associated with this type of migration. Realistically our current team of 2 FTE is the minimum size we can operate to run a data centre of any size safely. Moving to an outsource model allows us to resource with “arms and legs”.

4.2 The risk of attrition is not going away and the pay gap between local government and the private sector is not getting any narrower, therefore it is highly likely that maintaining a permanent staff structure is not going to be easy, particularly when an “end date” is perceived to be in sight.

4.3 The fact we are having to start from a clean sheet without any TUPE or pension fund obligations means the outsourcing of this particular function is much easier and quicker than it normally would be.

4.4 The virtualisation of the server estate over the last few years, means most of the tasks required can be executed remotely, meaning that there are fewer travel and accommodation costs now than there would have been in previous outsourcing arrangements.

5. **Options Considered**

5.1 **Do nothing (not recommended)** – There is no do nothing option. Specialist Infrastructure support is required to keep the council's core systems operational and its data safe.

5.2 **Recruit a new team (not recommended)** – this involves going to market and recruiting two experienced server engineers to complete the current establishment

5.2.1 Advantages:

- Predictable costs as there are established and evaluated posts
- NuLBC has complete control over day to day activities.
- Easy to adapt and change responsibilities as infrastructure evolves

5.2.2 Disadvantages:

- Difficult to recruit suitably experienced people at council salary levels.
- Time taken to onboard new staff means an ongoing reliance on third party support which will negate cost savings.
- Posts likely to become redundant once systems move to cloud within next 5 years

5.3 **Accelerate the journey to cloud (not recommended)** – avoid the need to recruit a new team by moving all systems out of the data centre and onto an "Information as a Service (IaaS)" cloud platform immediately.

5.3.1 Advantages:

- Removes the need for a local team, and the space currently used for data centres can be reduced to accommodate network equipment
- Avoid capital costs associated with data centre refresh

5.3.2 Disadvantages:

- Extremely high risk of serious business disruption – there is unlikely to be time to robustly check that all data is migrating properly, and that all integrations continue to work.
- High risk of cost escalation– the current feedback from the market is that simply moving legacy systems and all of their accumulated data to an IaaS results in excessively high subscription charges, as well as significant migration costs, which then have to be repeated as more appropriate strategic systems are adopted.

5.4 **Shared Service (not recommended)** – share the service with another council, using our current staff budget to augment their team

5.4.1 Advantages

- We achieve economies of scale with a larger team, meaning lower combined demands across contributing partners on public funds.
- We are working with a partner which faces the same issues and pressures as we do.
- Contract can be established through an Inter Authority Agreement.

5.4.2 Disadvantages

- These arrangements only work where there is a strong political will and effective governance in all organisations to make them work. If one partner is seen to be gaining an advantage over the other they easily fall apart.

- There are no obvious candidates in neighbouring authorities with many of them already working in shared service arrangements.

5.5 **Procure a support partner (recommended)** – use the current staff budget to fund a managed service provided by a commercial provider

5.5.1 Advantages:

- Transfer the risk of attrition and associated knowledge loss to a third party whose salary packages may be more aligned to the market.
- A contract can be written to flex as requirements change – we can buy more resource to cover longer support hours, or reduce the requirement as more services move to cloud. We are not limited to full time employees.
- Initial soft market analysis with our incumbent partner suggests that a service can be provided within the current staff budget envelope – although this requires further due diligence through a formal procurement exercise.

5.5.2 Disadvantages

- Any work delivered outside of the contracted scope of services (e.g. project related work) will carry additional costs.
- Outsourcing any service requires active "clienting", otherwise relationships can sour. This should be equivalent to line management overheads, but is a different skill set that needs to be developed
- Reliant on the supplier's solvency and ability to pay their staff.

## 6. Legal and Statutory Implications

6.1 The main legal and statutory implications arise in the context of the rules and regulations that apply in procuring the services sought. The proposed approach in the report, drawing down on the NHS Digital Workplace Solutions Framework appears to legal and procurement colleagues to be an acceptable approach

## 7. Equality Impact Assessment

7.1 There are no staff redundancies or redeployments planned under the proposal, and therefore no risk of discrimination against any employees through infringement of individual protected characteristics.

7.2 A fair and legally compliant procurement process will be followed.

## 8. Financial and Resource Implications

8.1 It is expected that the proposed service provision via a support partner will be financed within the existing staff budget of £92,914 held within the general fund revenue account. It is anticipated that the service provision will come under this budgeted amount and this will be confirmed once the procurement process has commenced.

8.2 A 30% contingency of circa £30k will be factored into the project cost to cover delivery or deal with unplanned incidents in the data centres without having to renegotiate the contract. Project delivery costs will be funded via the capital programme.

## 9. Major Risks

9.1 Outlined in the body of this report (see section 5.5.2)

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Procuring services from commercial organisations has direct and indirect benefits to the economy, and contributes to a vibrant technology sector.


11. **Key Decision Information**

11.1 As the total contract value exceeds £100,000, this is a key decision

12. **Earlier Cabinet/Committee Resolutions**

12.1 None

13. **List of Appendices**

13.1 None

14. **Background Papers**

14.1 None