PLYMOUTH CITY COUNCIL

Subject:	ICT Shared Services Initial Business Case
Committee:	Cabinet
Date:	12 February 2013
Cabinet Member:	Councillor Peter Smith
CMT Member:	Adam Broome (Director for Corporate Services)
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Ref:	None
Key Decision:	No
Part:	I

Purpose of the report:

In describing our Co-operative Council approach in the Corporate Plan, we explained that we would be developing new delivery models including social enterprises and mutual bodies, this report is a step in delivering that new way of working. This report provides the initial business case for ICT Shared Services; it covers programme progress to date, current partners, scope of the ICT service, proposed company set up and the financial and non-financial benefits. It also sets out the risks involved in the delivery of the shared service and the next steps required to proceed to the detailed business case gateway in June. This report aims to set out the information necessary to make the decision as to whether to proceed to the next and final gateway, where the final business case will be presented alongside operational details.

Corporate Plan 2012-2015:

As a Co-operative Council, we have said we will work with partners in implementing common aims, sharing facilities and services and making the best use of facilities to reduce costs and benefit the city. In particular, the Corporate Plan highlights the increasing need to rationalise the use of resources and deliver ever greater efficiencies primarily from reorganising the back office functions. ICT has already begun to play its part in enabling the necessary efficiencies through the implementation of new technologies. These new systems will deliver the ability to meet the requirement to e-enable all services where appropriate. Further it now supports staff in ‘hot-desking’ which is a vital component of the Accommodation Strategy. The Plan also highlights the requirement to deliver city-wide transformational change as a new operating model is required for the public sector to deliver more effective interventions earlier. This then goes to our vital role in helping to develop a stronger sub regional economy and supporting the development of jobs both in the city and across the region.

This proposal builds on the premise of being a co-operative council, by sharing ICT services, building the capability across the region and seeking to re-invest money in improving services rather than supply a profit motive. While the joint-venture would be a limited company, it is possible to construct it as a ‘mutual’; however this, in reality, has little advantage as the company is not driven by the pursuit of profit. Instead the company will offer flexibility in the coming austerity years by remaining under the control and direction of the partners.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

This report will have significant impacts in all of these areas as the potential creation of a new joint venture will require some up front financial investment to undertake the initial design work and to establish the company to an operational state. This initial investment will be minimised as far as practical without risking the sustainability of the entity and thereby risking the project. Wherever possible, investment in the commitment of resources will be sought rather than the requirement for cash. Where this is not possible contributions will be sought from all partners on an equitable basis.

ICT input will clearly be required and equally will be impacted by any subsequent TUPE transfer to the new entity. Initially, ICT input will be required to work with consultants to oversee the design of the new technical structure. The new Windsor House data centre will be at the heart of the technical delivery capability, and in this way the Council will benefit from the financial investment already made into Plymouth City Council ICT. Furthermore, due to the investment already made in the accommodation strategy and the ICT Microsoft strategy, Plymouth Council will not require additional investment to upgrade the desk top fleet to reach an acceptable standard.

HR input will equally be required in the early stages to determine the methodology for TUPE of staff and they may help inform the establishment of a new organisational structure in the joint venture. At this stage it is not clear where the new company will get its support services such as HR and Legal, and this will be determined as the implementation progresses.

The new joint venture will require having premises from which to operate and current options are being explored with corporate property and there may be an opportunity to occupy Building One at Derriford Business Park. Other space will be required within partner buildings from which location based ICT staff will operate on customer premises. Alternatives would be occupying commercial premises or some other portfolio property.

A combined contribution of approximately £85k is required to fund the work of the project team to reach the detailed business case gateway of June 2013. Plymouth's contribution to this will be approximately £51k and budgetary provision currently exists for this. This investment alongside the contributions from East Devon, Exeter and Teignbridge would allow the project team to work on the detail required for the 10 year business plan, including the detailed financial savings, non-financial benefits, finalising the governance arrangements and determining the enhanced working practices such as how an extended service desk will operate thus giving greater support to those working more flexibly in future.

The total combined investment required from all of the partner authorities to fund the full implementation costs is estimated at £1.2m however the technical upgrade element that is required from the 3 district authorities could be partly funded from their individual capital programmes and this will be explored further in the detailed business case. Full implementation costs for Plymouth will be in the region of £411k, of which there currently exists budget provision of £120k. Some of Plymouth's expected costs could potentially be met within current provisions and so the new money required will be minimised wherever possible.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The new joint venture will be expected to meet its obligations under all current legislation

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Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

An equality impact assessment will be made as part of the detailed business case once more operational decisions have been made. There is no adverse impact expected from this change.

Recommendations and Reasons for recommended action:
It is recommended that Cabinet

1. Agree this outline business case and formally commit to the next Gateway review in June 2013.
2. Agree to commit the necessary resources as identified within the project plan to deliver the detailed business case by June 2013.
3. Agree to commit the specific, partner identifiable, financial contribution.
4. Agree to establish the necessary governance arrangements by nominating individuals to establish the Shadow Executive Group, Shadow Operational Board and the implementation team as detailed within this report.

Alternative options considered and rejected:

Other alternatives have been evaluated such as 'do nothing' and outsourcing. Alternative governance arrangements have also been evaluated as can be seen within the business case.

'Do nothing' is not practical as the Council still requires future savings from ICT while still having a growing demand curve. The ability to constantly continue to get more for less is untenable without at some point significant changes in the way ICT is provisioned. This is just such a point in time. ICT now delivers significant savings per annum having made investments in infrastructure (broadly £4m capital investment over 8 years now delivers savings of £4m p.a.)

Outsourcing has been reviewed and rejected several times, and as a strategic sourcing option this continues to fall out of favour in these austere times as the contracts do not provide sufficient flexibility to cope with future change as the private sector has to remain profit driven. Previous examples that have been exhalted, such as Suffolk, are now returning to in-house provision.

The joint venture model ensures we continue to invest in the delivery of services rather than meet the outsourcers need for a 20% profit margin. Also it seeks to take the long-term view of what is best and so is not driven by the need to recover initial investment quickly then 'see out' the remaining term of the contract. Delt Services proposes to continue the cost reduction philosphy that has delivered significant savings to date at Plymouth while changing the model sufficiently to provide new opportunities to generate new savings. The joint venture will be managed analagous to an in-house operation hence flexibility is designed in from the outset. The aim will be to improve service delivery and improve forward planning, in this way the ability to reduce costs is maintained. Should infinite flexibility be required, then the consequential impact of short term planning will adversely impact the delivery of savings.

Published work / information:

Services Shared Costs Spared, Drummond MacFarlane, August 2012, http://www.local.gov.uk/c/document_library/get_file?uuid=105edabf-9072-49f5-94d9-f6065cf69842&groupId=10171

Simply Legal, Co-operatives[UK] http://www.uk.coop/sites/default/files/docs/simplylegal_0.pdf

Background papers:

None

Sign off:

Fin	mc12 13.03 1	Leg	LT 16672	Mon Off	TH0 078	HR	MG121 3/0100 3	Assets		IT	MG12 /13.00 1	Strat Proc	JK/S PU/B C/31 2/01 13
Originating SMT Member Neville Cannon													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Contents

1. Executive Summary

1.1 Four councils are participating in the project to determine whether or not shared services are the way forward. These are East Devon District Council, Exeter City Council, Plymouth City Council and Teignbridge District Council.

1.2 The key drivers are to reduce costs (£16.5m over life of the contract minimum), support economic growth, reduce risk and improve service delivery, through re-investment in the business.

1.3 The combined make-up of the potential partners is a total spend of £11.8m, 170 staff and 6,000 users.

1.4 To bring public bodies together a level of independence is required and so a new joint venture company is thought to be able to achieve this, the model proposed ensures full control is retained by the public sector partners.

1.5 To provide further flexibility, a supporting platform for economic growth and to better support a widening of those public bodies that are able to join the venture a 'Group Company Structure' is proposed.

1.6 The lead company has the working title of Delt Services Limited, and will be a wholly public body owned company and will be guaranteed by shares. The model comprises of a group of companies including the establishment of a Cost Sharing Group (CSG) as this allows the new entity to provide service to educational establishments such as universities without the need to charge VAT which they cannot reclaim.

1.7 Set up costs are currently estimated to be circa £1.2m

1.8 Each shareholder will have one vote but the shareholding will reflect initial investment.

1.9 This route will allow the 'Teckal Exemption' to be used to avoid costly procurement procedures being necessary.

1.10 The initial contract term is anticipated as being 10 years.

1.11 It is envisaged that a return on investment (ROI) will be within 2 years.

1.12 With a sensitivity of circa £0.2m, that is to say set up costs can be £200k more than currently predicted before the ROI is delayed.

1.13 Savings are expected to be delivered from the first year of operation and over the life of the contract are expected to be in excess of £16.5m. This excludes any additional income to the joint venture.

1.14 The savings are predicated by the continuing co-operation of the Partners to drive consolidation across the organisations.

1.15 Subject to agreement and consultation with staff the final business case will determine the most appropriate means for Staff to be employed within the new organisation.

1.16 A simple, direct charging model is proposed to minimise administration costs.

1.17 The Partners will be expected to retain an 'Intelligent Client' function also referred to as a Retained Function.

1.18 The full range of ICT services is expected to be delivered by Delt Services Ltd.

1.19 Governance is to be provided by the Partners appointing senior managers/members to the Executive Group.

1.20 The Executive Group will have a rolling Chair, rotating annually.

1.21 The day-to-day running of the Company will be overseen by the Operational Board. Initial appointments will be secondments and will apply to the designate positions of Managing Director, Finance Director, and Operations Director.

1.22 The vision for the service is that:
The city and the wider region benefits from improved service delivery through the integration of services and ICT systems that are delivered at lower cost, while securing a platform for economic growth through a unified and shared ICT service.

2. Introduction

2.1 This paper sets out how the Councils' for East Devon, Exeter City, Plymouth City and Teignbridge have established a group to explore the relative benefits of creating a shared service. These first services to be considered in this way are the respective ICT services.

2.2 Plymouth City Council had already embarked upon this journey and has been joined by the other three councils following a separate examination of the possibilities as requested by the Leaders of the Devon District Forum. It became apparent that there was merit in bringing these two initiative s together and building on the ICT investment in the Windsor House data centre.

2.3 It is envisaged that the chosen operating model can be expanded at some future point to include other services should the desire and benefits be shown to be realisable.

2.4 It is understood that while cost savings are vital from such an initiative there are other key drivers; economic growth. Therefore this project is expected to deliver reduced costs, improved service delivery, reduced risk and economic growth for the region.

2.5 In order to avoid the perception that Plymouth City Council is somehow just looking to take control of other services and to highlight that this proposed entity is to be jointly owned by all partners a working title for the organisation is being used, the entity is therefore referred to in this document as **Delt Services.**

2.6 Delt, is simply the Danish word for shared, and if no major objections this name will continue to be used throughout this document and, if later agreed, to establish the company.

3. Background and Vision

3.1 The growth of interest in shared services has grown significantly over the past 12 months although many high profile failures by central government have made people, rightly, cynical.

However, recent studies have shown just how well placed local government is to lead on this topic; and the various success stories that are beginning to emerge. Indeed our own story has gained national recognition and is seen as developing the leading model for shared services. Other high profile shared services are being developed, namely the Tri-Borough arrangement between Hammersmith & Fulham, Kensington and Chelsea and City of Westminster. These 3 London Boroughs are aiming to save £3m by creating a single ICT service.

3.2 The requirements for ICT to deliver ever greater efficient ways of working for the front line services it supports have never been higher. As the economic challenges continue to unfold it is increasingly recognised that simple cuts within back office functions cannot yield the returns required to continue delivering services as before. A more creative solution must be found.

3.3 This also holds true for communities served by multiple public sector agencies. Single agencies are no longer able to contain the level of cuts required and maintain service levels. New, innovative means to intervene are required if we are going to be able to provide a sustainable high quality service. This means improved inter-agency and partnership working which requires a level of complex planning that currently is difficult to achieve due to poor information sharing capabilities. Therefore drawing together the ICT capability is intended to help close the various gaps, although the data will be held safely isolated from the respective organisations.

3.4 Despite the need to keep the data secure the vision for the new ICT shared service must be to help the respective partner organisations utilise the centrally held data to plan more effectively. The new shared service (Delt) should be expected to build the business intelligence function and to provide support for evidenced based decision making.

3.5 Furthermore the environment in which ICT is being delivered is radically changing. Initially replacing high volume clerical processes within specialist applications they are now utilising commonplace business applications such as word processors and spreadsheets. But development continued with the emergence of the Internet and the Web. This has allowed the public to utilise electronic services and has spawned new business models such as low cost airlines which has driven up customer expectations as to when and how they can be served, or serve themselves. This connectivity and desire to access services when, individually, convenient is being driven faster than ever with the growing demand for Smartphones and tablet computers. This is making accessibility to information and services a pre-requisite for the mobile user, and will drive future customer service delivery strategies.

3.6 These mobile devices are also responsible for blurring the boundaries between the consumer and the corporate world as corporate users expect now to be able to use their own device to access business information.

3.7 Dealing with these rapidly changing facets of technology will require consideration, technical design and policy development if they are to be correctly implemented within the public sector. The vision to do this once only across multiple agencies and organisations will be a cost saving in itself. The proposed vision for Delt Services is:

The city and the wider region benefits from improved service delivery through the integration of services and ICT systems that are delivered at lower cost while securing a platform for economic growth through a unified and shared ICT service.

3.8 ICT infrastructure and communication costs have been reduced over the years and efficiencies have been gained through the centralisation of ICT from being run from multiple departments within organisations. The application of a controlled planning framework has allowed a professionalism to be applied that has dramatically moved Plymouth City Council forward to the point where it now occupies a position of national leadership on many fronts. However there will be a point where the savings from this trend slows and eventually halts. The consumption and demands of, and from, users will also play a part in how costs can be controlled in future. Therefore the customer organisations will retain a key role in working with the supplier to drive down costs through good buying behaviours.

4. Initial Scope of ICT service

ICT Services

4.1 It is common practice, and is independently recommended by Gartner[1], to break the services supplied by ICT into 7 key blocks. It is anticipated that in order to derive economies of scale and to have a unified architecture (a common or standard way of doing things), which better facilitates joined up working, that the full technical stack would be transferred to and be supported by the new company. This stack can be seen in Table 1 below.

4.2 These services will form part of the consolidation process to determine what hardware/software/contracts can be eliminated or renegotiated to achieve the necessary costs savings. The next phase of the process will examine, in detail, with the help of independent consultants exactly what the overall architecture should be and what the savings roadmap will look like.

Technical Convergence

4.3 Each council currently runs an independent ICT infrastructure which requires the design, procurement, implementation and maintenance of items such as of servers, data storage, security systems, databases, networks, software and hardware management systems, development tools, mobile and desktop devices, disaster recovery and back up processes etc.

4.4 Because of the technical product choices available in the IT marketplace, and as a result of different decisions made by each ICT team, each council has a unique ICT architecture and set of processes. Each requires a team of highly trained engineers, technicians and analysts with particular and expensive skills to maintain it to a good standard.

[1] Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company.

4.5 However, the job that the ICT infrastructures do is largely the same for each council and it is simply a waste of valuable resources to duplicate this four times over. Robust technology now exists to deliver the majority of services as a "private cloud" from a single, shared ICT infrastructure.

The convergence would occur in two major phases:

- Phase 1 (start-up) - technical architecture, including datacentre, telephones, desktops, anti-virus etc. to converge on a single technical design which is able to be maintained and supported efficiently by a single team with a consistent set of skills.

- Phase 2 (after technical convergence) – taking advantage of the technical convergence in phase 1, each line-of-business software application , such as payroll, planning, licensing, accounting etc., will be reviewed with the relevant service Heads to determine if there is a sound business case for converging on single systems.

Start-up

This is subject to detailed planning with external consultants but some agreements have already been reached amongst the technical teams as to the best direction. The elements of the start-up are:

Table 1- ICT Services
Technical service towers

	Service Tower	Service Description
1	**The Service Desk**	All councils use different systems for their service desk. The latest Microsoft licensing scheme includes a system built into one of the control systems as is part of the cost of the Microsoft licences and eliminates the costs of other systems. It is important that the service desk staff situated at the various council sites all use the same system to enable shared and common support processes across all four councils.
2	**Specialist Applications**	Line of Business (LOB) applications will be reviewed in details in phase 2 i.e. after the start up unless circumstances present an opportunity to look at the odd individual cases earlier. However, one of the new technology delivery mechanisms is a method called "application virtualisation". This enables any application to be delivered quickly to any desktop or other device. Each software application would need to be "virtualised". Plymouth have already carried this out and Exeter are experimenting, but with a different product. This could be carried out mostly by in house ICT staff.
3	**Standard Business Applications**	Delt will deliver Microsoft desktop systems and look to converge on the versions of Exchange, Lync, Office , Sharepoint already in place in Plymouth. Teignbridge and Exeter will need to purchase a

		Microsoft Enterprise Agreement to enable this to occur and this has already been considered (and budgeted in part) independently as part of the need to upgrade to Windows7 by these councils. East Devon has recently purchased a Microsoft Agreement. Costs can be minimised by extending the agreement at Plymouth to other local authorities.
4	**Desktop and associated services**	Plymouth has already migrated to Windows 7 and the other councils need to do this by May 2014 regardless of this proposal. Budgets have already been set for this work by councils. The agreed mechanism for delivery of desktop services is "thin client" however advice is required on the best products to achieve this. All councils have moved away from "routine" refreshes of desktop technology and all now use the "sweat till they die" approach. Each council has a wide range of ages and makes of desktops and laptops. PCs will be re-provisioned as "thin clients" when the infrastructure is ready and from that point on only thin client devices will be bought for the most part.
5	**Voice and Telecom**	The future is digital telecoms for both cost reduction and flexibility in working practices. Plymouth use Lync for phone communications. East Devon intend to use Lync to replace aging telecoms equipment The majority of the licence costs for this are included in the Microsoft Agreement. Exeter use a digital Siemens switch which can eventually be turned off in favour of using Lync but this is not critical to initial convergence. All councils use analogue lines as the main connections and Delt needs to set up and converge on much cheaper but more flexible digital connectivity as part of the start-up.
6	**Data Network**	A new data centre has been built at one of the Plymouth sites. With delivery of thin client services good network connections are critical. Each council has different WAN connectivity with its own satellite offices and the network connecting to the Plymouth datacentre needs to take this into account e.g. most of Exeter's WAN is fibre optic cable buried under roads whereas East Devon uses the Siemens Devon WAN. There will be set up and running costs for new WAN connections. Siemens are quoting for a 1Gb connection at each site:

		Installation £10,200 Yearly £9,800. A back up connection will also be required for each major site and similar costs can be assumed. The Windows network, or "AD", convergence is important and also a major piece of work requiring external advice. Trustmarque have indicated a project of up to 50 days costing around £35,000 There is a big opportunity for the district councils to cease their main internet provision and for all to share a single, 2 connections from the Plymouth datacentres. East Devon currently pays £25000 and this could drop to £5000 with a shared access point at Plymouth. All councils use different security and anti-virus products and services. Microsoft now includes many of these inside the licensing agreement so, wherever possible, the Microsoft security products would be implemented this removing the costs for the other products.
7	**Data Centre**	The end goal is for all councils to be able to largely eliminate the need to run their own datacentre and to converge on the dual data centres in Plymouth. Plymouth have invested in a new datacentre and so this has been selected as the core datacentre of the shared service. Data centres are a complex and on-going hefty capital and revenue investment for councils and understandably, councils wish to "sweat" their own current investments before investing in the Plymouth datacentre. However, to begin the process of convergence and to begin getting benefits from economies of scale we need to start here. The ideal situation would be to build new capacity into the Plymouth datacentre to be able to take the computing and storage load from each of the district councils. Suppliers have quoted £153,000 to set up the new infrastructure for East Devon but this price includes control systems that would be shared across the councils and also software licences that may not be needed. There is a still much analysis and planning to determine the best approach. A less favourable option is to transfer existing equipment to the Plymouth datacentre. This is riskier and does not gain much other than having all equipment in one physical location.

		The datacentre costs cover all back-up machinery, all disaster recovery options and all control hardware and software.

Staffing

4.6 It is anticipated that most staff other than those who will remain as the Retained Function (more on which in section 5) will be subject to secondment in the first instance as the company forms, then to TUPE transfer to the new organisation at a future date. The new organisation will determine its optimum operating model and hence the structure required to support it. Given the nature of the transition no job losses are identified at start up and staff will largely be expected to work from their existing locality. While there may be exceptions specifically regarding vacant posts, these are currently not known and it will be determined for the final business case.

4.7 It is important that Delt Services develops a reward structure (pay and benefits) that can not only attract and retain the right skills but one which is aligned to its culture and business objectives. It is proposed that Delt Services will develop harmonised working conditions and practices which will be negotiated in consultation with staff and unions

4.8 It is acknowledged that the partner organisations have expressed concern regarding the possible scale of the changes and that they would not wish to lose access to staff with which they are familiar. Whilst staffing arrangement is expected to change over time, through natural turnover, it is intended that the majority of staff will continue to work out of, and serve their existing operational bases.

4.9 Delt will seek to reduce the single points of failure by providing cross training for critical staff and through this seek to offer improved consistency in the intended higher levels of service.

4.10 It will be desirable for Delt to establish its own culture and to create a staff that is committed to its success. Therefore a change management programme will be in place to start this process prior to the ‘Go Live’ date through consultation and as part of the staff induction into the new company.

4.11 Given the savings potential that can be realised through contracts and services agreements, staff savings or redundancies are not projected into savings initially and it is considered that this shared model will help protect ICT jobs which may otherwise be cut as local councils struggle to balance their budgets. As Delt Services becomes an established business entity, staffing levels may increase/decrease depending on business requirements; to avoid duplication and to cater for new business which has been generated. Like any other organisation, Delt Services would achieve decreases through natural turnover and reduction in temporary capacity wherever possible.

Assets

4.12 Subject to detailed negotiations it is proposed that legacy assets (those assets that currently are due to be replaced in less than 4 years) will remain with the owning organisation as it is reasonable that existing disposal plans and strategies exist whereas this would represent an unknown risk to Delt. The new organisation will continue to run all of the assets on behalf of the client partner. Wherever possible the client partners will move existing systems onto the new standard hardware platform to enable skill consolidation to take place for the supporting ICT staff.

4.13 Ownership of the assets is a critical area of agreement as this represents a significant area of risk transfer. Should Delt take on too much risk then it will carry heavier financial burdens with regard to insurance liabilities, specifically indemnity, as well as higher WEEE Regulation disposal costs. Therefore risks transferred by one Partner could pose a risk to the wider group partners as they may, consequentially, all may be adversely impacted by the transferred risks.

Contracts / Applications

4.14 Wherever possible all contracts and applications are to be novated to Delt Services. In this way negotiations with suppliers can be centralised and economies of scale sought. It is anticipated that some contracts will not be renewed and further contracts with the same existing suppliers will be consolidated and renegotiated to seek higher levels of discounts. Should it prove necessary a contract limit for negotiation by the Operational Board could be considered in a review of Reserved Matters.

5. Retained Function

5.1 It is common for organisations that outsource their ICT service to retain a small in-house capability. That capability serves multiple functions and also acts as the 'Intelligent Client' that is to say, acts as the interface between the business and the supplier. In this way the intelligent client:-

- ✓ Designs and specifies requirements
- ✓ Monitors performance and delivery
- ✓ Maintains a strategic approach to sourcing as business needs change over time
- ✓ Maintains control of information assurance and establishes security standards
- ✓ Is responsible for business relationship management
- ✓ Financial management

5.2 It is expected that while the size of the retained function may vary with the size of the organisation at the very least a senior technical position should be retained, one which is capable of strategic oversight. A further position is required which is capable of contract management and negotiating. In smaller organisations these may be the same person.

5.3 To be agreed is the interface between Plymouth City Council's transformation programme and the provision of services by Delt Services. This is a major programme of work that could deliver significant benefits to the wider customer base. It will also draw significantly on the resources that are likely to transfer to Delt thereby consuming much of the project related resources from the outset. Further Delt would wish to ensure that estimations of capacity required are accurate and fully funded.

6. Special Purpose Vehicle / Model Options

6.1 Many different options exist when looking at establishing a shared service, and the relative merits of the various types of possible Special Purpose Vehicle (SPV). These include not for profit, for profit, Joint Committee, Cost Sharing Group, Community Interest Company, Limited Company whether by shares or guarantee, and all of these options have been examined as has the whether or not the company could be formed on a mutual basis.

6.2 The following criteria were used to evaluate the relative merits of potential organisation structures.

- ✓ Ability to transfer risk to legal entity.
- ✓ Must be able to trade to grow to support further economic development of the city and region.
- ✓ It must be capable of reflecting the initial investment of the founders.
- ✓ It must reduce or eliminate the need to raise capital from its founders.
- ✓ It must have limited liability.
- ✓ It must be able to pay a return on any profits made.
- ✓ Desire to avoid costly procurement process for new partners wishing to join

6.3 Having applied the criteria the best model going forward was evaluated as being a joint venture as detailed in section 7. This will offer flexibility, the ability to grow with minimal effort and to protect the work force as this is paramount to delivering the economic growth required by the region. The models that are already in use around the country have been examined to ensure that lessons that have been learnt from other shared service projects are not lost in the set-up of Delt. In addition to this, legal advice has been sought on the various options available; from keeping services in-house and trading, to a wholly owned company, a hybrid arrangement and a joint venture. The characteristics of the various SPV's options and some of the issues have been summarised in Appendix 1.

7. Proposed Company Structure

7.1 In taking advice and heeding the lessons from elsewhere, it has become apparent that a somewhat more complicated structure than was first anticipated is being proposed. While the more simplistic option and logical choice put forward was to create a single new joint venture limited company, this business case goes further and proposes a group structure of companies with the aim of addressing very specific issues and giving the flexibility needed to expand in future.

7.2 When considering the structure of a company it is prudent to take into account the most efficient tax structure. While this is covered in detail in section 11, it is worth explaining here the reasons behind the proposed structure.

VAT

7.3 Some organisations, such as universities, are unable to reclaim VAT, therefore for them to consider outsourcing to another provider immediately causes a problem as they are subject to VAT with no means to reclaim their input tax, therefore the costs incurred are 20% higher than in-house services at the outset. There is a way to deal with this which is to establish a 'Cost Sharing Group'. In this way organisations can come together to supply services, at cost, and these services are VAT exempt, thus eliminating the requirement for the organisation to absorb the additional 20% burden.

Teckal – Procurement exemption

7.4 The new Joint Venture (JV) entity (Delt Services) is proposed to benefit from the 'Teckal' exemption[2]. The rationale for this exemption is that in such circumstances the separate entity is analogous to an in-house department and so contracts should not be seen as an award to an

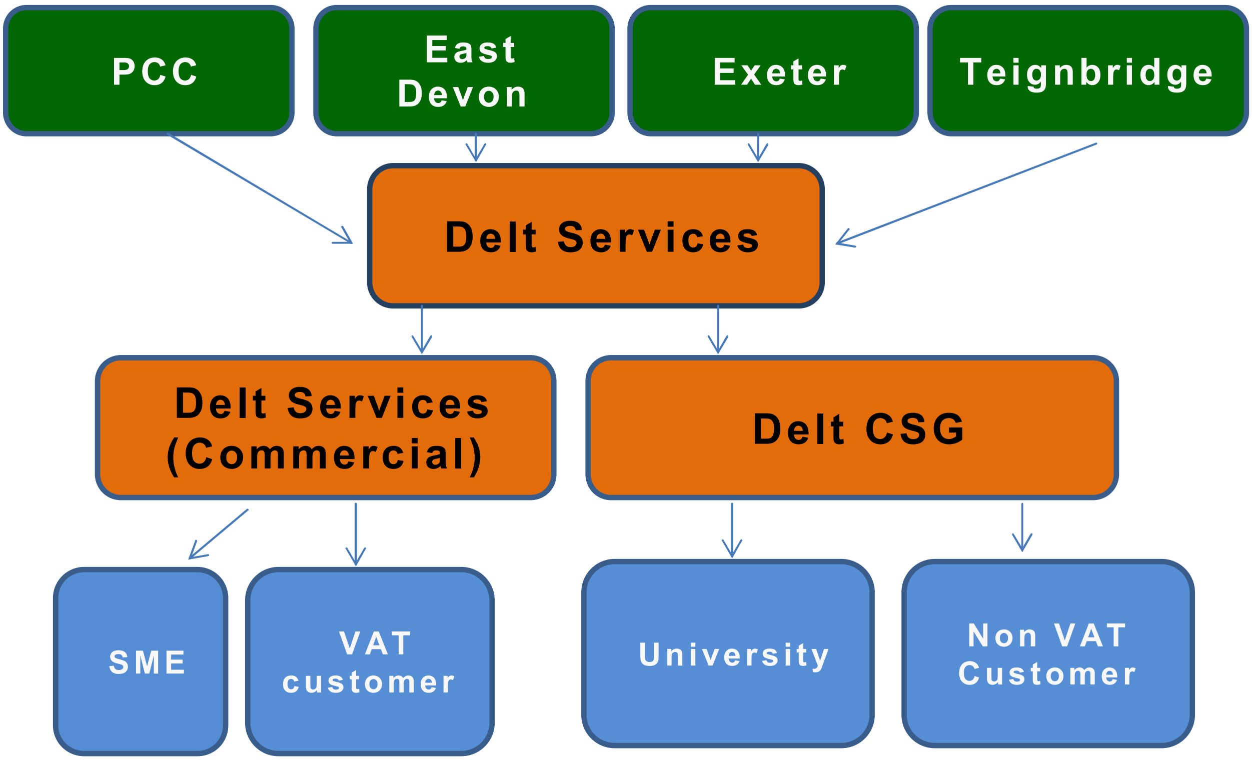
[2] It is a well-established principle of EU procurement law that the open advertising and tendering rules for public contracts do not apply where a public body obtains services from "in-house" sources. This is the so-called *Teckal* principle.

entity operating on the open market. This means that public bodies who wish to become, and act, as partners can do so without the need for them to do so via a costly and lengthy procurement process.

7.5 Utilising this principle requires the passing of two tests, one of control and the second of function. The first implies that the company must be wholly owned by public bodies with no 'private ownership'. This infers that no private business or person (including staff) may hold shares in the company. The second test is met when the essential part of the company's activities must be conducted with the members of the company. This means that the majority of services must be delivered to the shareholder organisations.

7.6 However, while the utilisation of this exemption benefits the company from avoiding having to bid for further public sector work, it does limit the profitability to circa 10-15%. Although this limit may be increased to 20% by 2014. Therefore to combat this limitation it is proposed to establish a group structure as shown below.

Table 2: Proposed company group structure



7.7 The shareholders will invest in Delt Services Limited and will be joined by the University should they decide to come on board within the Cost Sharing Group as this will be able to deliver VAT exempt services. Delt Services (Commercial) will effectively be the profit creating arm as this company will be able to provide services to the private sector and will charge VAT as normal.

8. Company Set up

8.1 Proposed Governance Arrangements

The proposed governance structure is presented in Table 3

Table 3 – Proposed Governance Structure

Executive Group	Shareholders, rolling chair, founder members, partner representation governing SLA delivery & reserved matters
Operational Board	Responsible for all operational aspects and technical strategy of company group
Management	Overseeing transition, stabilisation, transformation, service delivery

Executive Group (Shareholders)

8.2 It is important to recognise that the partner organisations will own and provide overall control of the new joint venture. As such it is proposed that the company will operate a two tier structure;

- ✓ 1 – Shareholders (represented by the Executive Group and a further representative sits on the Operational Board)
- ✓ 2 – Directors (act as the Operational Board)

8.3 The Shareholder group referred to as the Executive Group, shall appoint the Directors, and make key decisions over strategy such as agreeing the company's ICT strategy. It will also be required to approve the annual business plan and hold the list of reserved matters (see Appendix 2). These reserved matters will need to be agreed prior to implementation.

8.4 The Executive Group will comprise of one representative from each of the Founding Members, one of which will act as Chair. The Executive Group (EG) is proposed to have an annual rolling Chair. In this way individual organisations cannot exert undue influence over the Group nor the company. The Chair of the Executive Group will act as a Non-Executive Director and attend Operational Board meetings.

8.5 Once the Executive Group limit of 8 has been reached then new joining organisations will have their views conveyed by an existing Executive Group Member acting as their representative.

8.6 To aid transition to the new structure, following the approval of this outline business case a Shadow Executive Group will be established to provide the focus for negotiating operational matters with the Shadow Operational Board.

8.7 To comply with the Teckal exemption it is important that all shareholders have adequate and equal representation. Therefore the voting rights will be separated from the value of shareholding as highlighted in the next section. This means that each organisation shall have one vote. This vote will be exercised within the Executive Group.

Operational Board

8.8 The Directors shall be responsible for the operational and strategic function of the company and will carry fiduciary duties to operate the company in the best interests of all the shareholders. The parameters of the Board's role will be defined by the business plan process and the reserved matters. The articles and shareholders' agreement will set out who have rights to appoint and remove the board members. The Board shall be comprised of

- ✓ Full time executive posts (appointed from Seconded/TUPE Staff)
- ✓ Chair of the Executive Group
- ✓ An independent non-executive director (with commercial background)

8.9 In order to maintain independence from all of the partner organisations and to ensure no conflict of interest it is proposed to establish, by secondment, a shadow operational board comprising of the following director designate roles; Chief Executive (designate), Finance Director (designate) and Operations Director (designate). These three roles will establish the company, determine the operating policies and ensure the resources are adequately accounted for in line with normal commercial company practice.

8.10 Prior to Delt becoming operational, the shadow operational board would also be expected to complete formalities with HMRC and open bank accounts etc. The advantage of appointing designate directors from existing staff is that the expense and risk of appointing external candidates is eliminated and additional expense is minimised ahead of the final gateway decision.

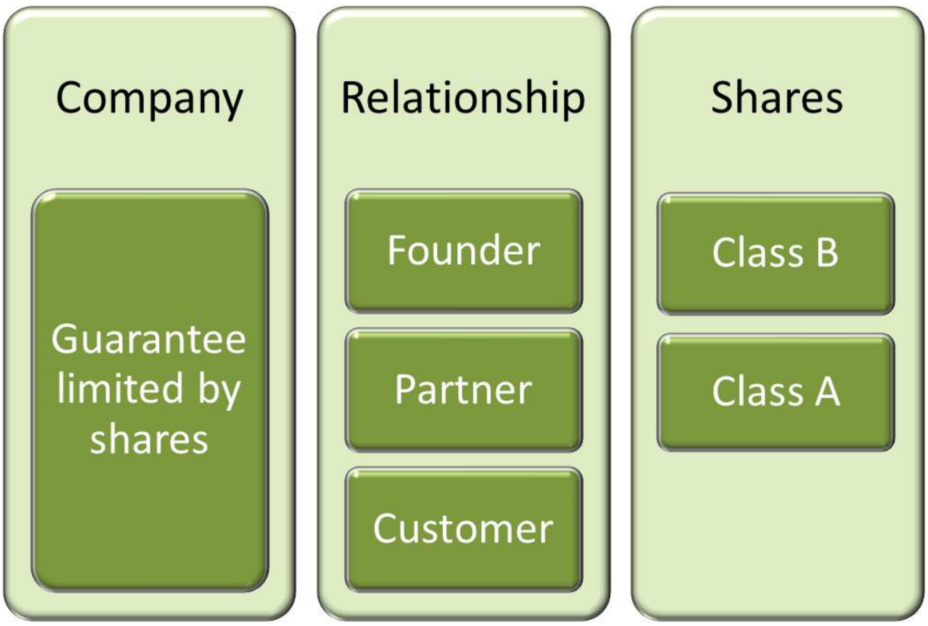
9. Shareholding

9.1 The shareholding of each partner is expected to reflect two things, firstly, the point at which they initially invested; for example whether they have opted in at the founding stage and hence carried more risk, or not. Secondly, the relative size of their investment. These two facts are important determinants in two areas.

- ✓ Whether the class of share identifies them and the rights associated with being a founding member.
- ✓ For the treatment of any profits and the consequent payment of dividends.

9.2 The relative size of the shareholding does not equate to enhanced voting rights, as it is an important principle that all partners have equal say in the direction of the company.

Table 4: Proposed company share structure



10. Control

10.1 The Teckal exemption requires the new entity to pass a ‘control test’ this requires that the entity is wholly controlled by public bodies there can be no ‘private’ ownership. It is clear that the control test can be satisfied by a number of parties jointly controlling the company, each authority would not need to have control analogous to that it would have over an internal department. Control would be exercised through the Executive Group and be demonstrated through the appointment of Directors, approval of future business plans and through control of reserved matters.

10.2 It will be important that the structure does not result in some authorities having only notional input into the control of the company. Therefore the voting rights need to be separated from the shareholding and it is imperative that each partner has one vote. These votes will be exercised within the Executive Group and it is expected that the Founder members will have permanent seats within the Group whereas depending on the numbers that join, there may be a degree of representation among future partners.

11. Tax / VAT

11.1 Currently Corporation tax has a maximum taxable rate of 24% although this is to fall to 21% by April 2014. As a trading company it would be expected to pay tax upon its profits. However, the new company is not expected to make excessive profits but instead it is expected to reduce costs to its customers and this should be the main mechanism to control excessive profits.

11.2 However, this model could involve a mutual business: businesses in which the customers and the persons owning the business are the same, so that any profit made from customers belongs to the same people as those customers. Income from such business can be exempt from corporation tax on the basis of the principle of mutuality. There are detailed rules around qualifying as a mutual business which primarily relate to the structuring of the articles of association and will be explored further in the detailed business case.

12. Shadow Executive Group and Operational Board

12.1 The concept of Shadow Governance arrangements has been touched on in paragraph 8 and it is proposed to establish the Shadow Executive Group (SEG) and Shadow Operational Board (SOB) once the outline business case has been approved, this is necessary in order to maintain neutrality between the founding partner organisations.

12.2 The Shadow Executive Group is expected to be made up from a mix of one nominated Chief Officer, Director or Member per organisation. The Chair of the SEG will sit in on the Operational Board meetings and hence provide a link and demonstrate transparency between the partner organisations and Delt Services. The SEG is required to demonstrate control over Delt Services and will do so by the appointment of designate directors, approve the business plan and negotiate on behalf of the Shareholders.

12.3 The Shadow Operational Board will consist of seconded Directors Designate and it is proposed that secondees will move across from their respective posts and organisations on their substantive salaries and form the Shadow Operational Board. The Shadow Board is expected to be established as soon as practical following approval to proceed to the next stage. The date for the initial secondment of the Operational Board is March 2013.

12.4 The Operational Board is expected to be made up of:

- ✓ Chief Executive Officer (CEO),
- ✓ Finance Director acting as the chief finance officer (CFO)
- ✓ Operations Director acting as the chief technical officer.

12.5 The Shadow Operational Board is to be appointed by the Executive Group to ensure that all partners are involved in exerting control over the creation of the new entity. Therefore to oversee the creation of the SOB a shadow Executive Group (SEG) is proposed. This will allow the SEG to come together and formulate its working arrangements and relationships ahead of the go live date. It will also provide a focus for the delivery requirement discussions to take place between the customers/shareholders and the supplier.

13. Delt Organisation & Management Structure

13.1 The management structure is expected to be determined during the next phase of activity as the full scale of the operation and client requirements becomes known. The management overhead will be kept to a minimum and the intention is to minimise the layers within the new organisation, however the management structure cannot be determined until the final founder members are identified.

13.2 It would be expected that each partner organisation would contribute to this overhead cost through a transfer of the support service budgets that are currently utilised to support the ICT service.

13.3 Staff will also be closely consulted on the operational structure of the organisation and the establishment of a new dynamic and customer focussed culture.

14. Implementation Costs

14.1 Implementation costs can be presented in 4 blocks

- ✓ Delt set-up costs
- ✓ Technical costs
- ✓ Partner Costs
- ✓ Upgrade costs

14.2 The implementation costs can be split between those that are attributable to all of the founder organisations and hence shared across each authority and costs that will be individual to each organisation and hence will need to be a specific cost to that authority.

14.3 Total implementation costs are estimated at £1.226m and can be displayed in the quadrant below, the costs included in the various headings are explained further below in this section.

14.4 All set up costs that have been incurred to date in reaching this initial business have been absorbed by Plymouth City Council and East Devon District Council and are therefore not included in the implementation costs below.

Table 5: Implementation Costs

	ALL AUTHORITIES			
	DELT - Implementation Costs			
SHARED COSTS	**Delt Set Up Costs**		**Technical Costs**	
		£000		£000
	Delt Project Team & Operational Set up	450	Service Catalogue	50
	(Incl External Advisors)		Network	20
			WAN	60
	Total	450	Total	130
INDIVIDUAL COSTS	**Partner Costs**		**Upgrade Costs***	
		£000		£000
	PCC - Corporate Costs	63	PCC - Upgrade Costs	-
	Exeter - Corporate Costs	42	Exeter - Upgrade Costs	153
	East Devon - Corporate Costs	42	East Devon - Upgrade Costs	153
	Teignbridge - Corporate Costs	42	Teignbridge - Upgrade Costs	153
	Total	188	Total	458
			Total	1,226

* Capital budgets exist in part for these costs

14.5 Shared Costs - Delt Set-Up Costs

14.5.1 The costs of setting up Delt have been estimated at £450k and include in the main the costs of an internal project team and necessary external advice to drive the implementation.

Internal Project Team

14.5.2 The costs of the Project Team that will deliver the project are included within the top left hand quadrant. This includes the dedicated support of the Programme Director for Shared Services who will be responsible for overall project delivery, the Operations Director who will deliver the technical operational aspects of the project and also a dedicated finance resource to drive the financial aspects. The project team will also require HR support from one of the partner organisations and a resource has been identified within East Devon to fulfil this role. An allowance for admin support has also been built in as well as some ad hoc costs including the requirement for Delt to become an Admitted Body within the Devon Pension Fund. Technical and operational support has been factored in.

14.5.3 It is expected that the Project Team will need to be working on the project full time from March 2013 so 13 months of set up costs have been included. It should be noted that by building these costs into the Delt set-up costs and seeking funding via this business case then this realises budget savings within the founder organisations that can, if required be used to back fill these posts. The Project Team costs amount to an estimated £304k.

External Advisors

14.5.4 A project this size requires external support in terms of specialist legal and financial advice, as well as advice and support to deliver the technical convergence required for Delt. In order to avoid as far as possible, expensive and potentially abortive costs should the project not be fully implemented, any costs that relate to external advisors have been avoided as far as possible until the final gateway of June 2013 has been reached. This external advice is estimated to be in the region of £146k.

14.5.5 However, in order to reach the requirements of this initial business case it has been necessary to engage Bevan Brittan for some specialist legal advice on governance, company set up, shareholding and tax issues at an early stage. Bevan Brittan have expressed their excitement in being involved in this project by charging a competitive fee and taking on the financial risk of the project not going ahead by discounting this early fee at their own risk.

Shared Costs - Technical Costs

14.5.6 Technical costs are estimated to be in the region of £130k and consist of the following items.

Service Catalogue

14.5.7 A service catalogue will be required to define the services that Delt will provide, the costs of developing this are estimated at £50k and have been built into this section.

Network and WAN

14.5.8 These are the costs involved in establishing the necessary communications infrastructure to connect the new partners and are estimated at £80k.

Total shared costs

14.5.10 The total costs estimated to set-up Delt that would be attributable to be shared across all founder organisations is £580k, this would predominantly be incurred in 2013/14. Although a method of allocation of these costs will need to be agreed, one suggestion is that the costs could be shared based on current gross budgets of each organisation, so for the purposes of this business case this method has been used in order to give an estimate of each authority's required investment. The table below splits these costs on this basis, it also highlights the investment that would be needed to get to the next gateway of June 2013 which in total is approximately £85k and would be needed to reach the Detailed Business Case.

Table 6: Potential split of Shared Implementation Costs
March 2013 to April 2014

LA	Delt - Gross Budget Share	Delt Set Up Costs	Technical Costs	Total Shared Costs	Estimated costs to June 2013 Gateway
	%	£000	£000	£000	£000
Plymouth City Council	60%	270	78	**348**	**51**
East Devon District Council	14%	63	18	**81**	**12**
Exeter City Council	15%	67	20	**87**	**13**
Teignbridge District Council	11%	49	14	**64**	**9**
Total	**100%**	**450**	**130**	**580**	**85**

14.6 Individual Authority Costs

Partner Costs

14.6.1 This section of the quadrant shows the costs that would need to be incurred by each founder organisation in terms of supporting the transfer of staff, assets and contracts to Delt. This work will be of a corporate nature and will include fulfilling the Council's responsibilities under TUPE regulations in respect of consulting with affected staff and also carrying out the due diligence work around TUPE and pensions as well as asset transfer and contract novation.

14.6.2 In reality this work is likely to be undertaken by in-house staff currently within each of the authority's HR, Finance, Legal and Procurement sections however for completeness these costs have been shown as an implementation cost although this work is likely to be absorbed within current workloads. These Partner (Corporate) costs for each district authority have been estimated at £42k and at £63k for Plymouth City Council. It is important to note that this work and hence these costs would not be incurred until AFTER the final gateway of June 2013.

14.6.3 There will be a requirement for each individual authority to undertake an actuarial valuation to determine if there is any pension deficit in relation to the staff who will be transferring to Delt. This review will indicate the value of any deficit and options of dealing with any gap. Past experience in this area would suggest that any gaps could be dealt with in the next Triennial Actuarial Review and the expectation would be that this would be absorbed in employer contribution rates.

Upgrade Costs

14.6.4 These are the costs involved in bringing each authority's ICT architecture up to a consistent standard. A quote has been provided from Centrica for carrying out this work for East Devon's architecture to be enhanced to the standard currently operated within Plymouth City Council, for the purposes of this business case this estimate of £153k has been used as a base for all of the districts.

14.6.5 Although these costs appear high, there are currently capital budgets that exist for similar types of upgrade work within Exeter, East Devon and Teignbridge, this appears to be capital funding that has been set aside for current and future investment in this type of upgrade work. It would therefore follow that subject to the accounting treatment of Delt set-up costs that budgetary provision already exists for some, if not all of these upgrade costs. Further discussion and analysis with each authority will be undertaken to assess this and this will be built into the June detailed business case. Again, to avoid abortive costs the upgrade work will not be undertaken until after the June final gateway and it would be advisable for Delt to oversee this upgrade activity in order to ensure a consistent implementation approach.

Total Implementation Costs

14.7 The estimated total implementation costs for each organisation can therefore be summarised in the table below, the table also shows the anticipated investment needed from each founder organisation to reach the next and final gateway. This table shows that there will be a requirement for an investment of between £9k and £13k from each of the district authorities and £53k from Plymouth City Council.

Table 7: Delt Implementation Costs by LA and individual investment needed to get to June gateway

DELT Implementation Costs - ALL			
LA	**Quadrant Cost**	**Total '£000**	**Estimated costs to June 2013 Gateway**
Plymouth City Council	Shared - Delt Set Up	270	51
	Shared - Technical	78	-
	Individual- Partner	63	-
	Individual- Upgrade*	-	-
	Total	**411**	**51**
East Devon District Council	Shared - Delt Set Up	63	12
	Shared - Technical	18	-
	Individual- Partner	42	-
	Individual- Upgrade*	153	-
	Total	**276**	**12**
Exeter City Council	Shared - Delt Set Up	67	13
	Shared - Technical	20	-
	Individual- Partner	42	-
	Individual- Upgrade*	153	-
	Total	**282**	**13**
Teignbridge District Council	Shared - Delt Set Up	49	9
	Shared - Technical	14	-
	Individual- Partner	42	-
	Individual- Upgrade*	153	-
	Total	**258**	**9**
ALL Authorities - DELT Implementation Costs		**1,226**	**85**

*** Capital budgets exist in part for these costs - further investigation req'd**

15 Benefits

15.1 Financial Benefits

15.1.1 Financial benefits that arise from sharing any service will be varied and dependent on the type of expenditure incurred but will almost always include a saving from economies of scale as well as de-duplicating and streamlining of service delivery.

15.1.2 For this initial business case, each authority was asked to complete a fairly detailed template which requested information on the following areas:

- ✓ ICT Services delivered
- ✓ ICT Staffing
- ✓ ICT Budgets - Revenue
- ✓ ICT Budgets - Capital
- ✓ ICT Assets
- ✓ ICT Contracts
- ✓ ICT Leases
- ✓ ICT Applications / Licences
- ✓ ICT Users

15.1.3 From this first cut of information a fairly detailed and interesting picture has emerged of the services that are currently delivered by the 4 organisations and the resources employed in delivering them. A brief summary of the headline information is shown below.

Table 8: Headline Information

		Combined information based on current provision (2012/13)					
	Item	Plymouth City Council	East Devon District Council	Exeter City Council	Teignbridge District Council	TOTAL	Budget make up
		£000	£000	£000	£000	£000	%
1	Gross Revenue Costs	7,018	1,630	1,807	1,297	11,752	100%
2	Employee Costs	2,683	777	838	623	4,921	42%
3	Est. value of contracts	3,699	663	673	296	5,331	45%
4	Other costs	636	190	296	378	1,500	13%
		FTE	FTE	FTE	FTE	FTE	
5	No. of Posts	114	20	22	18	173	
		User Accounts	User Accounts	User Accounts	User Accounts	User Accounts	
7	No. of Users	3,917	530	750	626	5,823	
	% Gross Budget	60%	14%	15%	11%	100%	

15.2 Revenue Costs

15.2.1 Total revenue costs applied to the delivery of ICT services in 2012/13 is approximately £11.8m. The exciting aspect of this shared service proposal is that over 50% of the current costs are used for supplies and services / contract spend rather than predominately from employee expenditure, which is usual in most local authority back office functions. The major benefit of this is that by joining together it will open up a far greater opportunity than was previously thought in driving through savings by contract negotiation and system consolidation. There is a much greater potential therefore to generate savings outside of employee spend. It is common for most back office function to have up to 80% of their costs consisting of employee costs therefore this is a major boost in the potential efficiencies that could be realised through the formation of Delt.

15.2.2 The figures for East Devon and Exeter have been uplifted for the cost of the ICT systems which are budgeted within service departments e.g. the cost of the Academy Revenues and Benefits system etc. although these costs are currently not budgeted for within Exeter's ICT service the systems are managed and maintained by Exeter's ICT service and would therefore become a cost of Delt.

15.2.3 From the information returned from each of the 4 authorities, it was clear that different policies for calculating support services and capital financing costs are being used, these costs have therefore been discounted from the above analysis at this stage. These costs tend to be a reallocation of internal costs so it is not felt that this approach carries any risk at this stage of decision making. However it should be noted that when this business case discusses the transfer of ICT budgets to Delt it does assume an element (to be agreed) for support service charges would be included in the transferring budget, this is required to enable Delt to have sufficient funding to pay for management, office accommodation, HR, payroll, finance support etc. It is expected that these internal support costs will be replaced by the Delt management and support structure and this will be further explored within the detailed business case.

15.2.4 Previous comparative information that has been used has not fully unpicked the figures to this level of detail and as such this analysis is beginning to enable more accurate comparisons across our authorities to be made. More investigation of costs will be needed to fully understand where the detailed savings can be made and this will be presented in the detailed business case in June.

15.3 Contracts

15.3.1 The value of contracts currently in place for the delivery of ICT services across the 4 local authorities has been estimated at £5.3m. As explained in paragraph. 15.2.2 the contracts for delivering departmental systems is not accounted for within Exeter's ICT budget, however these costs have been brought into the mix as they will become a direct cost of Delt.
It is understood that the full extent of the contracts has not yet been uncovered and will not until a more detailed and time consuming due diligence exercise is completed but a number of conclusions can be drawn from this information in terms of potential savings.

15.3.2 Contract Savings will arise in a number of ways, e.g.: savings due to technical changes made during Delt set up, negotiation savings that will arise due to Delt from economies of scale through Delt having greater buying power and also from consolidation savings which will be realised as and when different systems are delivered through a shared solution.

15.3.3 There are a number of different providers used to deliver similar contracts and services so it would follow that through a consolidation exercise these costs can be reduced substantially. It is estimated that this could realise savings in the region of £200kp.a. over the next 5 year for example:

- ✓ Anti-virus
- ✓ Network providers
- ✓ Service desk
- ✓ Call centre system
- ✓ Spam filtering
- ✓ Telephone system

15.3.4 Where more than 1 authority uses the same supplier to provide the same services or even different products and services, a robust negotiating stance with these suppliers is expected to generate significant savings and at least, £170kp.a. is expected to be saved through this approach.

15.3.6 The contract savings estimated in Table 9 have been derived at this stage by taking a fairly simplistic approach, however the 10% saving is believed to be a prudent view and work is now needed to explore the timings of these expected efficiencies and this will be undertaken in conjunction with each local authority in time for the June detailed business case.

Table 9: Estimated Contract Savings

	Contract Spend £000	Anticipated Savings £000
Current Contract Spend (OBC)	**5,331**	
Technical Changes		(70)
Robust Negotiation		(170)
Consolidation		(200)
SIP		(100)
Total Contract Efficiencies (Est)	**(540)**	
% approx.	**c10%**	

15.4 Additional Partners / Income Generation

15.4.1 This business case does not include any assumptions of additional revenue generated from additional contracts from new partners or from the generation of customers. Nor does it take into account any additional income generated from managing future change projects on behalf of any of the partners.

15.5 Employee Expenses

15.5.1 When establishing a shared service and combining multiple operations it would be normal to expect some savings in staff to be possible. This appears not to be an immediate requirement due to the relative high value of the contract and services element of the expenditure and so natural wastage is assumed to offer sufficient scope for any necessary savings that may be required.

15.6 Initial Savings Profile

15.6.1 An initial savings profile has been drawn up to assist in decision making for this outline business case. Whilst a robust financial exercise is yet to be undertaken it is anticipated that the savings achieved in the first 2 years of Delt being operational, will exceed the implementation costs, giving a return on investment (ROI) or pay-back period of less than 2 years. This meets the findings of the LGA report Services Shared Costs Spared August 2012.

15.6.2 The previous sections give some detail, as far as it is currently known on how those savings could be achieved and it is expected that a savings profile as displayed in Table 9 is achievable. This would see combined revenue saving of £16.5m over a 10 year period, with the red highlighted box indicated that ROI is expected to be achieved in year 2.

Table 10: Savings Profile

ICT Shared Service - Outline Business Case - Initial Savings Profile						
		Revenue				
Year		Base Budget (excl SS & CF)	Saving %	In year Saving	Cum Savings	Delt Income in yr
Year 1	2014/15	11,800,000	5.0%	- 590,000	- 590,000	11,210,000
Year 2	2015/16	11,800,000	7.5%	- 885,000	- 1,475,000	10,915,000
Year 3	2016/17	11,800,000	10.0%	- 1,180,000	- 2,655,000	10,620,000
Year 4	2017/18	11,800,000	12.5%	- 1,475,000	- 4,130,000	10,325,000
Year 5	2018/19	11,800,000	15.0%	- 1,770,000	- 5,900,000	10,030,000
Year 6	2019/20	11,800,000	15.0%	- 1,770,000	- 7,670,000	10,030,000
Year 7	2020/21	11,800,000	15.0%	- 1,770,000	- 9,440,000	10,030,000
Year 8	2021/22	11,800,000	20.0%	- 2,360,000	- 11,800,000	9,440,000
Year 9	2023/24	11,800,000	20.0%	- 2,360,000	- 14,160,000	9,440,000
Year 10	2024/25	11,800,000	20.0%	- 2,360,000	- 16,520,000	9,440,000
10 yr		**118,000,000**		**- 16,520,000**		**101,480,000**
			10 yr saving	**-14%**		

16 Non-Financial Benefits

16.1 Service/ Operational Improvements are expected to be delivered through:

- ✓ Enhanced opening hours of the Service Desk as this better reflects the growing need to support staff and members outside of normal office hours.
- ✓ Improved project management capability
- ✓ Having a larger more highly skilled staff pool
- ✓ The option to provide support to the 3rd sector where these services work alongside Partner organisations in a co-operative way
- ✓ The potential ability to support SME's and hence economic growth
- ✓ Enabling entrepreneurs and business start-ups to focus on core business activities
- ✓ A risk transfer and a risk reduction which for smaller partners is likely to otherwise be exacerbated over the coming years.
- ✓ A customer focused operational model that builds on the experiences of the wider pool of talent
- ✓ Members being supported in a way that best reflects their needs and offer consistent levels of service
- ✓ The speedier introduction of new technologies and ways of working across common platforms
- ✓ Improved evidenced based decision making as data quality improves and enhanced information management capabilities including business intelligence
- ✓ Common approaches to security and data handling
- ✓ The ability for staff to work more flexibly around Devon and thereby reducing CO2 emissions by reducing travel.

17 Charging Proposal

17.1 Following on from the financial benefits section, there will be a requirement to adopt a charging proposal for Delt. There are a number of options available and these have been summarised in the table 11 and in Appendix 3.

17.2 At this time the working assumption has been that partners will simply want to see a net reduction in their total ICT costs (Revenue and Capital). While various charging models have been examined, some have been eliminated due to the additional set up costs required and the additional bureaucratic burdens they will place on Delt and the Partners. For instance the ability to invoice Partners entirely on a commercial cloud basis (i.e. for total ICT resource consumed via metering) has been rejected due to these reasons. Furthermore it has been seen elsewhere that consumption of services on this basis does not always lead to saving by the user organisation as it is unable to adequately constrain demand and hence consumption and costs increase.

17.3 At this stage it is acknowledged that the invoicing mechanism is likely to change over time as the company and the Partners mature into the relationship. Delt is the way in which the Partners who still own the service have decided that this is how they, effectively, wish to deliver their own service. Therefore ensuring that the invoicing remain simple and transparent has been the overriding aim of looking at the various options.

17.4 The charging mechanism must also take into account another desirable factor, that is the breaking of the reliance on the individual capital programmes and hence deliver some of the future savings through this route. However it makes sense in the first year to utilise the capital money available within the partners to off-set any specific upgrade costs for that organisation as this avoids the need to make available new funds, which may prove difficult to allocate.

17.5 Delt will be required to make investments on behalf of the whole group in order to preserve service levels through the replacement of aged or worn out equipment. This is generally referred to in most organisations as the ‘lights on’ budget, that is to say general maintenance to equipment that is required over and above any new commitment to a change project.

17.6 To be able to make these investments in future Delt will be required to retain some working capital and generate an appropriate level of reserve so that it can, independently from the various capital programmes, operate successfully. To generate this working capital it is proposed that Delt be able to retain the savings it generates over the agreed reduction targets to an, as yet to be agreed, level, where after any surpluses could be reinvested in business change projects thus delivering additional benefit to the Partners, or returned by way of dividend payments. It is not yet possible to determine this level in advance of knowing the detailed costs that will be part of the final agreement decision, but the mechanism would be overseen by the Executive Group.

The charging proposal follows a number of key principles such as that the mechanism chosen:

- ✓ Must minimise handling costs
- ✓ Must not create operational or financial issues for Delt
- ✓ Must be transparent
- ✓ Must be fair to all
- ✓ Must deliver guaranteed savings
- ✓ Must endeavour to release dividend payments
- ✓ Must reflect Partners’ needs

- ✓ Must generate increased savings over first 4 years

17.7 The proposal recommended, at this stage, is to transfer the existing Partner budgets (Revenue and capital) to Delt for year one [For the purpose of this the capital expenditure to be considered is the average over the last 5 years]. For year two onwards the average capital figure will not be charged and this will be offset against any saving target the balance being made up of a net reduction in charges to that organisation for that year. The savings profile to be delivered is:

Table 11 Percentage saving targets

Year									
1	2	3	4	5	6	7	8	9	10
5%	7.5%	10%	12.5%	15%	15%	15%	20%	20%	20%

18 Change Management

18.1 Transition

18.1.1 At this stage in the process it is only possible to agree the principles for the transition process as each partner organisation is likely to be somewhat different and the likelihood is that each will present different challenges. Therefore once the final partner list is known, then a full detailed transition plan will be drawn up for each organisation; while an overarching plan is established to assemble the new technical operating model in the optimum order.

18.1.2 The principles will be that:

18.2 Technical Capacity and Architectural Review

18.2.1 Each organisation will be subject to a technical capacity and architectural review. This will determine the requirements to come on board with the new technical architecture and be reviewed against a lift and shift option of existing kit. This benefits of either approach will be determined by a number of factors including any recent investment in equipment, its life expectancy, risk associated with moving equipment and the ability to effect any downtime for the service while it is decommissioned, transferred and re-commissioned.

18.3 Transfer Period

18.3.1 For each organisation a transfer plan will be agreed. This will need to encompass the business decision to invest in the new equipment or transfer existing equipment with the attendant risks. It will need to agree operational down time (although every effort will be made to minimise this).

18.4 Upgrades Required

18.4.1 Should any technical upgrades be required ahead of moving to the new architecture then these will need to be determined, scheduled and completed prior to the move to the new data centre operation.

18.5 Stabilisation

18.5.1 Once the transfer has been completed it is strongly advised to run a change freeze period of three months. This allows a settling in period and facilitates the opportunity for Delt staff and customers to get to know the new systems and operational practices. It also helps build a solid knowledge base which will be useful for future fault finding.

18.6 Optimisation

18.6.1 Following the consolidation period it is expected that Delt will be in a position to offer suggestions for future benefit targeting. This will become most apparent once all partners are transferred onto the new operating platform and opportunities for future development and savings can be made by taking the best of the combined systems forward for all.

18.7 Project prioritisation

18.7.1 It is vital that Delt manages its resources for the overall good of the customer base. Equitable allocation of staff effort and investment must be maintained across the various service contracts if impartiality is to be demonstrated.

18.7.2 Therefore in conjunction with the Executive Group a process will be agreed for the prioritisation of projects and requests for change (more on which in the next section). Prioritisation will be required as it is reasonable to assume that there will be competing and over lapping client requirements and there will be insufficient resource to meet all peak demands. It is not efficient to resource continually for peak demand so a more cost effective level must be maintained. This may mean that some projects will have to be externally resourced; however Delt is to be given the first opportunity to meet the needs before technical projects are put out to the market. Furthermore Delt management will still have overall control of the architecture so Delt must be consulted before any external contract is placed. Failure to do so may result in lengthy delays and a failure for the service to become operational. The security of the majority cannot be compromised by the needs of a single organisation.

18.7.3 The prioritisation process will be agreed prior to Gateway 2.

18.8 Requests for change

18.8.1 This is potentially a major source of discontent and failure to address or appreciate this factor must represent one of the greatest risks to improving customer satisfaction. Forward planning for ICT development is often poor within departments, and there are many reasons for this, but often ICT can be requested at short notice to “make things work”. Delt will not have the establishment to address unbridled requests for change and so again an agreed prioritisation methodology, that is fair and equitable, will be required. This piece of work will also encompass creating the service catalogue. That is to say the list of standard items that customers’ can routinely request and expect to be delivered within a specified time frame.

18.8.2 Processes for requesting change will be developed and agreed with the Executive Group and will communicated out to the whole customer base. This is vital if customers are not to be confused by the transition to new processes.

18.8.3 As part of this change in process a new VIP service will be established, thus ensuring vital stakeholders such as senior directors and members are dealt with in the most responsive way.

18.4 New partner entrants

18.4.1 The shareholders’ agreement will need to set out the agreed principles for new joiners. A new joining authority would need to enter into a service contract with Delt and join as a shareholder. The key issues are likely to relate to the terms upon which the authority joins as a shareholder, including:

- ✓ the level of approval required from existing shareholders’ for an additional authority to join
- ✓ agreement that the new joiner would have one vote;

- ✓ who would be the new joiner's representative on the board;
- ✓ what rights would the new joiner have to profits;
- ✓ would the new joiner affect the rights to profits of existing shareholders.
- ✓ These questions can be considered more effectively when the position is clear on how the company will operate for existing shareholders. The agreed principles will need to be set out in the shareholders' agreement.

19 Exit plan

19.1 There will be two elements to the exit arrangements

- ✓ Termination or expiry of the service contract that results in the shareholder's element of the ICT service being transferred either back in-house to the shareholder or to a new provider (including Seconded or TUPE of relevant staff); and
- ✓ Termination of the authority's role as a shareholder of Delt.

19.2 Termination or expiry of the service contract would operate in the same way as termination or expiry of any third party contract. The service and any assigned staff would transfer to the new provider or back in-house. Depending on the terms there may be compensation payments to be paid either to the authority or to Delt.

19.3 It is expected that an authority's position as shareholder will be linked to the service contract that the authority has in place with Delt. This would mean that upon termination of the service contract (and therefore staff and related function transferring out of Delt) that the authority in question would cease to be a shareholder. The rationale for this would be that shareholders would not be profiting from the arrangements (rather making savings through joint efficiencies) and so once a shareholder ceased to have its ICT operation (or part) in Delt it would cease to have a reason to be involved in the governance arrangements of the company.

19.4 It would be possible for an authority that no longer had a service contract with Delt to continue as a shareholder but this would either require:

- ✓ the other shareholders to accept the on-going influence of the shareholder even though that shareholder was not using the structure and the shareholder in question being interested in committing the resources required of a shareholder (principally meeting attendance, related discussions and considering issues); or
- ✓ the authority would need to become a dormant shareholder in which case the parties would need to consider what the rationale of having a dormant shareholder would be. The most likely reason would be for the shareholder to continue to receive profit from the Delt structure. This could be possible although it would need to be in respect of third party income rather than a share of any net surpluses accumulated through the more efficient delivery of the shared service in order to not compromise Teckal eligibility.

19.5 If there was a value to the shareholding the authorities may want to consider whether there should be a mechanism for the continuing shareholders or company to purchase the share of an out-going shareholder

20 Risks

20.1 In most cases, it is not possible to alter the impact score, only practical to limit the probability of an event occurring. The risk register is shown in Appendix 4.

20.2 Technology is not a risk in this venture. The technology has been proven throughout the world, what may be the associated risk is not to invest significantly enough in providing a truly resilient platform.

20.3 The main risks arise of securing buy-in, working collectively and effectively together for the greatest good. This also means have a shared view of risk appetite and managing expectations of the clients.

20.4 It is normal in these types of situations that the majority of clients see the change as an opportunity to have resolution to all their longstanding (and it must be said often long suffering) problems and issues, with their issues being prioritised over all others. Furthermore, as the demand curve for ICT continues to increase there is a possibility that expenditure will have to increase. While every effort will be made to contain it the demand placed upon Delt will need to be controlled by the client Partners. This is clearly a function for the retained client and the leadership of the respective organisations.

20.5 Careful evaluation of requirements will have to be established and maintained for the sake of the whole client base. Inefficiency arises from poor planning, as the resources have to be allocated to 'fire fighting' duties and this impacts other customers and other areas such as scheduled and planned maintenance which then needs to be rescheduled which adds to costs and causes delays. Therefore to mitigate this risk proper planning and early conversations will be encouraged between all sides.

20.6 Differing cultural challenges will also bring attendant risks. These risks will manifest themselves as disruptive behaviour and staff 'remaining native'. Clear culture change programme with agreed processes and the setting of objectives including expected behaviours will help to reduce negative impacts.

21 Information Management

21.1 Delt Services will be responsible for ensuring that the electronic information stored is held securely and backed up appropriately. However, it should be noted that information management is a much wider topic and the security and information management function will still encompass paper records held within the organisations.

21.2 It is for this reason that information management and the associated security element is expected to be retained by the respective partners. Delt will be expected to comply and advise, were appropriate, with the organisations and their audit functions when required.

21.3 The data will be held securely with the intention that over time as business processes develop then better sharing of information will become possible.

22 Next Steps and Timescales

22.1 Following a successful outcome of this business case the milestones required to ensure the effective progression to the detailed business case are:

- ✓ Decisions taken to move to June 2013 gateway
- ✓ Shadow Executive Group and Shadow Operational Board set up to oversee the project continuance and to represent the customer voice in negotiations
- ✓ Project Team in place - secondment arrangements
- ✓ Detailed Business Case drafted
- ✓ Decisions taken to form Delt Services
- ✓ Founder members signed up

22.2 The project plan for the period between approval of this outline business case and the detailed business case is shown in Appendix 5. It will be pre-requisite of approval of this outline business case that each local authority will commit the resources identified in this project plan in order to fulfil the work required in this period.

23 Conclusions

23.1 It has been concluded that meeting future savings targets cannot be sustained acting alone therefore the requirement to come together as a shared service is acknowledged.

23.2 Good governance is vital to ensure the effective establishment and subsequent running of the new shared service and the proposals within this report reflects the importance placed on this.

23.3 In order to ensure transparency and fairness all partners must be prepared to commit resources commensurate with their size and potential share of the new organisation.

23.4 Implementation costs are estimated to be in the order of £1.2m.

23.5 Expenditure required by the individual partner organisations to reach the final gateway are estimated to be as follows, a total of £85k:

- ✓ East Devon - £12k
- ✓ Exeter - £13k
- ✓ Plymouth - £51k
- ✓ Teignbridge - £9k

23.6 Initial scoping work has proven favourable in that over 50% of combined spend is on contracted services as opposed to employee / staffing costs.

23.7 Financial benefits require further detailed work but early indications suggest an ROI within 2 years.

23.8 A dedicated team is required to undertake the detailed work necessary to get to the final gateway.

23.9 It is in the interests of the partners to maintain a flexible company structure therefore furtherance of work undertaken for this initial business case needs to continue to ensure effective governance.

23.10 Risks identified appear relatively low for a project of this nature.

23.11 A simplified charging mechanism is desirable to reduce the cost of administering the financial transactions between the partners and the company.

Appendix 1

Table 2 – SPV Options *Source: Simply Legal, Co-operatives[uk]*

Legal Form	Does its members have limited liability?	What is its governing document called?	Can it issue shares ?	Can it pay a return on Shareholding?	Does it have to register with a regulatory body?	Is it suitable for charitable status?	Does it have an asset lock?
Partnerships	No	Deed	No	No	No	No	No
Associations	No	Constitution	No	No	No (unless a charity)	Yes	No (unless a charity)
Trusts	No	Deed	No	No	No (unless a charity)	Yes	No (unless a charity)
Limited liability Partnership	Yes	Agreement or Deed	No	No	Companies House	No	No
Company Limited by Guarantee	Yes	Articles	No	No	Companies House	Yes	No (unless a charity)
Company Limited by Shares	Yes	Articles	Yes	Yes	Companies House	No	No (unless a charity)
Community Interest Company (limited by guarantee)	Yes	Articles	No	No	Companies House & CIC Regulator	No	Yes
Community Interest Company (limited by shares)	Yes	Articles	Yes	Yes- although subject to a cap	Companies House & CIC Regulator	No	Yes
Charitable Incorporated Organisation	Yes	Constitution	No	No	Charity Commission	Yes	Yes
Industrial & Provident Society (bona fide co-operative)	Yes	Rules	Yes	Yes	Financial Services Authority	No	No
Industrial & Provident Society (society for the benefit of the community)	Yes	Rules	Yes	Yes	Financial Services Authority	Yes	Yes (optional)
Cost Sharing Group	*	*	*	*	*	*	*

EXAMPLE RESERVED MATTER LIST **Appendix 2**

1 Varying in any respect the Articles or the rights attaching to any of the shares in the Company.

2 Permitting the registration of any additional Shareholder of the Company.

3 Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).

4 Adopting or amending the Business Plan in respect of each Financial Year.

5 Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).

6 Amalgamating or merging with any other company or business undertaking.

7 Entering into any arrangement, contract or transaction with either a capital value greater than £[ ] or revenue value greater than £[ ].

8 Agreeing the appointment and the appointment terms (including any remuneration terms) of all directors of the Company other than Shareholder appointed directors.

9 Agreeing any remuneration terms for Shareholder appointed directors.

10 Agreeing changes in employment terms and conditions which would be inconsistent with the National Joint Council National Agreement on Pay and Conditions of Service and any changes to the pay and grading structure of employees of the Company.

11 Entering into any arrangement, contract or transaction which is not within, ancillary or incidental to the Company's Business or is otherwise than on arm's length terms.

12 Increasing, reducing, sub-dividing, consolidating, re-denominating, cancelling, purchasing or redeeming any of the capital of, or allotting or issuing any shares or other securities in the capital of, the Company.

13 Altering any rights attaching to any class of share in the capital of the Company, or creating any option, warrant or any other right to acquire or subscribe for any shares or other securities in the capital of the Company.

14 Declaring, authorising or making dividends or distributions of assets of any kind to a Shareholder.

Appendix 3

Charging Proposal Options

		2014/15	2015/16	2016/17	2017/18	2018/19		
		Year 1	Year 2	Year 3	Year 4	Year 5	Advantages	Disadvantages
Option 1	Pay as You Consume (Cloud)	Metered use of resources					Responsive to actual usage Responsive to Organisational resizing	Unpredictable costing Consumption tends to grow therefore costs increase Expensive metering platform required More costly to administer - billing / debt mgt / cash flow implication
Option 2	Per User Charge	Set a per ICT user charge annually to cover DELT costs and if applicable pay a dividend from profits at year end					Responsive to organisational downsizing Partners and customers charged on the same basis Clarity of cost reduction	Risk of reduced users is borne by Delt No. of users will fluctuate during the year. Charges may fluctuate depending on annual spending plans and the need for investment Costly to set up to differentiate between different services for each partner (Base package v SLA's) Breakeven position difficult to achieve therefore risk of surplus / deficit
Option 3	Budget transfer (Revenue & Capital), re-investment and dividend payments	Transfer of current budgets to Delt	Current Budget MINUS 5%	Current Budget MINUS 7.5%	Current Budget MINUS 10%	Current Budget MINUS 12.5%	Delt has working capital to meet cash flow needs LA partner realises savings from Year 2 Clarity of budgeting Tax avoided due to setting income in line with spending plans	Inconsistency of charging for Partners and customers Unresponisve to organisational changes (reduced staffing)
		Reinvest any additional savings in service improvement and / or pay dividends						

Appendix 4

Risk log

Risk No.	Risk Description	Likeli-hood	Impact	Score	Mitigation	Resid-ual Score
1	Lack of buy-in senior mgt	3	5	15	Working with those authorities who are willing and seeking engagement throughout	10
2	Start-up costs too high	3	4	12	Working through financial and constraining aspirations while working to deliver an overall lift of capability to all organisations	8
3	Pension deficit	4	2	8	This is an issue as it currently exists. There are numerous ways to treat the deficit and options will be evaluated once the actuarial report is known.	8
4	Failure to agree on company structure	2	4	8	The company structure is being advised by legal counsel and should offer the greatest flexibility to the future operation of the company and facilitate future growth.	4
5	Failure to agree on Corporate governance	3	4	12	The governance arrangements are being advised by legal counsel and negotiations should ensure that all relevant concerns are addressed. Key will be the separation of voting rights from shareholding to reflect disparate sized organisations	8
6	Lack of available funding for transition costs	2	4	8	There are numerous options to fund the transition including unsupported	8

					borrowing. However until the final costs are know this must remain at original score. Other options including phased transition could be possible if necessary.	
7	Delt unable to deliver savings	2	4	8	Depending on future demand Delt may not be able to deliver savings as projected. However this is mitigated by annual review of the business case and close client management to understand the drivers on costs. Support and cooperation will be required of partners to ultimately drive savings. Ensure adequate capital funding as per plan is provisioned.	6
8	Delt expansion threatens BAU	2	3	6	Expansion beyond certain limits can be a reserved matter and therefore controlled by the Executive Group	3
9	Contractual terms not universally accepted	1	3	3	Mitigated through diligent negotiation of required terms.	3
10	Delt cashflow insufficient	2	5	10	This is part of the transition process and the contractual terms as supplied by the business model	5
11	Insufficient working capital for business to act as required	2	3	6	Working capital requirements to be establish and agreed as prior to go live date, with allowance made for historical capital spend.	3
12	Delt overrun with high demands	4	3	12	This will require the retained function to	9

					operate within the respective partner organisations and constrain demand where necessary. Delt can only respond to demand and if high then either further, deeper, prioritisation is needed or some sort of demand management. This may be price for new work.	
13	Fail to agree project prioritisation process	4	3	12	Should conflict occur then an escalation path to the Executive Group must exist and votes cast on competing demands. However it is anticipated that improved forward planning should result in a clearer roadmap of activity.	6
14	Organisations demand special treatment	4	4	16	It is highly likely that at some stage a department or organisation will demand priority be given to their needs being met. This may be met using contracted resources or by negotiation with other partners. But no single partner shall have the automatic right to demand resource	12
15	Executive Group does not operate effectively	2	4	8	The EG will be responsible for determining its operational practices. It is anticipated that each organisation will put forward a senior, experienced, individual to represent them on the Executive Group	4

16	Technical design overly complex	2	4	8	This will be worked through with the technical leads from the various organisations to ensure that the optimum architecture is designed through use of a partner?	4
17	Data communication costs prohibitively high	2	3	6	These are currently being explored with current PSN provider and it is anticipated that costs will be within reasonable expectations	6
18	Shadow operational board not appointed until late in process	3	3	9	This will need to be established shortly after approval to proceed is given. Equitable negotiations must be established and maintained.	6
19	Lack of decision making capability in time	3	3	9	Must ensure that the Shadow Executive Group is established in time.	6
20	Need to ratify decisions regarding staff employment structure	2	3	6	There are differing opinions as to how best deal with staff. The Executive Group along with the Shadow Operational Board will need to take advice and reach a collective view.	6
21	Need to agree terms and conditions	2	3	6	The four organisations have differing terms and conditions and this will need to be addressed. It is understood that there is no protection period with TUPE and that changes can take place immediately if prior consultation takes place.	6
22	Need to secure new premises in time for preparation	4	3	12	PCC is in the process of seeking to buy from the NHS two	9

					building. It is hoped that one of these could become the new base for Delt Services. The timing of such a deal is not yet finalised but it is anticipated that it should be complete within an acceptable period for Delt.	
23	Need to agree company documentation	2	3	6	This is likely to be drafted by Bevan Brittan and will be completed as required	3
24	Requirement to agree shareholding and dividend structure	3	4	12	The treatment of profits and the shareholding mechanism and structure have yet to be finalised and agreed by the Executive Group	8
25	Lack of understanding of services provided by Delt and the customers	2	3	6	Quotes from external suppliers are currently being sought to provide the necessary resource and expertise to develop the service catalogue	6
26	Transition plans not yet finalised	2	4	8	The transition plan is not due to be finalised until the next gateway so this is within plan at moment	8
27	Lack of buy-in buy staff	3	4	12	A staff engagement plan will be drawn up and consultation processes should ensure that the vast majority of staff have bought into the concept and into the culture of the new company	8
28	Should a request be made that falls outside of the proposed or established architecture then Delt may refuse to enact the solution	3	3	9	It is anticipated that close planning and a customer focused strategy will ensure that all organisations understand what can be achieved and	9

					accommodated and what cannot. Any escalation will be to the Executive Group but it is anticipated that the appended principles will be universally acceptable	
29	Pricing – Delt may, for new work, be asked to supply a price for a project. This price may be seen as being too high.	4	3	12	Delt must ensure that no single organisation subsidises uniquely benefitting projects. Therefore the requesting partner should be expecting to pay the full cost of any project.	9
30	Business does not provide adequate resource for implementation project plans to be met.	3	4	12	Use of contractors or senior management ensure resource made available	9

Project Plan Jan 2013 to June 2013 Appendix 5

Month	Work stream	Outcome	Resources
Jan-13	All	Initial Business Case drafted	NC, CP, SB
	All	Initial Business Case reviewed & agreed by officers	All
Feb-13	All	Initial Business Case presented to Cabinets / Executives	All
	All	Decisions taken to move to June 2013 gateway	All
	All	Stakeholder Communication	All
Mar-13	Governance	Shadow Executive Group and Shadow Operational Board set up	NC
	Governance	Project Team in place - secondment arrangements	NC
Apr-13	Technical	Technical architecture, service catalogue scoped and start to be delivered	CP / JN / GK / MG / TU / EP
	Operational	Look and feel of the delivery of services including urgent requests, support of members & staff. Operational locations, operational structure, SLA's, service delivery	CP / JN / GK / MG
	Governance	Principles around shareholding / Control / treatment of surpluses / 3rd party income / exit strategy	NC
	Finance	Drafting detailed financial case / business plan	NC / SB
May-13	All	Detailed Business Case drafted	NC, CP, SB
	All	Detailed Business Case reviewed & agreed by officers	All
Jun-13	All	Detailed Business Case presented to Cabinets / Executives	All
	All	Decisions taken to form Delt Services. Founder members signed up.	All
	All	Stakeholder Communication	All

Key	NC	Neville Cannon
	CP	Chris Powell
	SB	Sue Buddell
	MG	Mel Gwynn
	JN	Julian Niles
	GK	Gary Kilvington
	TU	Tom Unwin
	EP	Eugene Potter