Refreshing the Partnership: Service Birmingham

A report from Overview & Scrutiny
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Reports that have been submitted to Council can be downloaded from www.birmingham.gov.uk/scrutiny.
Preface

By Cllr Waseem Zaffar MBE, Chair Corporate Resources O&S Committee

I am pleased to present this report to the City Council as it addresses an important area of my committee’s remit. The Service Birmingham partnership - which came into being in 2006 - has delivered controversy as well as savings but makes a massive contribution to the delivery of services to citizens all across the city. This report looks to ensure that the benefits of the partnership are maximised and that people - members, officers and citizens – see real improvements.

However, I cannot take the credit - this important inquiry was undertaken by two former scrutiny committees, the Governance, Resources and Customer Services O&S Committee and the Partnership, Contract Performance and Third Sector O&S Committee. I would like to thank all the members for their hard work, insight and knowledge in bringing the partners together in such an effective way. I would particularly like to thank Councillor Carl Rice and Councillor Narinder Kooner for their stewardship of this inquiry.

I welcome the commitment on all sides to refresh the partnership. This report puts forward some practical suggestions as to how this opportunity to make substantial improvements can be maximised, and to set some clear parameters as to how success will be measured.

As I begin my term of office as Chair of the Corporate Resources O&S Committee, I look forward to continuing the good work started by this inquiry, and the new Committee will track progress against the recommendations later in the municipal year.

[Signature]
## Summary of Recommendations

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<th>Recommendation</th>
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<td>R01</td>
<td>Deputy Leader</td>
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<td>a) That the mission statement, objectives and principles of the partnership are renewed, to ensure proper account is taken of • Financial challenge; • Council’s changing role and relationships.</td>
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<td>b) That an operational plan for Service Birmingham is produced to evidence a strategic approach, including how the City Council’s expectations of Service Birmingham as its ICT department will be met, show clear lines of accountability for achieving the outcomes, and state clearly what is included in the core contract costs. This should include a plan for one, three and five years. The Strategic Partnership Board should monitor progress against these plans.</td>
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<td>c) That these are reviewed annually to ensure they remain relevant and aligned with corporate objectives.</td>
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<td>R02</td>
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<td>That Service Birmingham are invited and encouraged to attend relevant senior BCC management meetings both at a corporate and directorate level. (It is accepted that there may be occasions when the Council has to exclude SB from meetings due to (for example) commercial confidentiality).</td>
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<td>That the options for a “day in the life” initiative between Service Birmingham and relevant City Council departments are explored.</td>
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<td>R04</td>
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<td>That examples are brought of a) new projects where Service Birmingham and City Council officers have worked together to deliver a project successfully (and examples where things have not worked so well); b) work where the City Council has utilised Service Birmingham/Capita expertise to further City Council priorities.</td>
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<td>R05</td>
<td>That a City Council user group is set up to test how things are working in the service areas and feedback experiences, perhaps chaired by a councillor.</td>
<td>Deputy Leader Service Birmingham</td>
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| R06 | That communications from Service Birmingham and the City Council to all staff and members are examined and improved, with an emphasis on transparency wherever possible. This should include consideration of:  
  - Sharing information about the contract (BCC);  
  - Transparency on costs and charging wherever possible (Service Birmingham and BCC);  
  - Alerting City Council officers when specific issues arise that have an impact on Service Birmingham’s ability to deliver services or projects (Service Birmingham). | Deputy Leader Service Birmingham | November 2015    |
| R07 | a) That a set of indicators (including relationship indicators) are agreed with Service Birmingham, the City Council and Capita to capture the range of success measures set out above;  
  b) These should form part of the one, three and five year operational plans;  
  c) These should be reported to scrutiny on an annual basis.                                                                                                                                                          | Deputy Leader Service Birmingham | November 2015    |
| R08 | That options for Service Birmingham to sell its services more widely are explored and reported back to the Corporate Resources O&S Committee.                                                                                          | Deputy Leader Service Birmingham | November 2015    |
| R09 | Progress towards achievement of these recommendations should be reported to the Corporate Resources Overview and Scrutiny Committee no later than November 2015. Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented.  
  The report back should include a report from the user group.                                                                                                                                                    | Deputy Leader                  | November 2015    |
1 Introduction

1.1 Purpose of the Inquiry

1.1.1 In 2006, the City Council entered into a partnership with Capita Business Services Limited and a new partnership was created – Service Birmingham Ltd. There were two main elements to the agreement:

- To provide ICT services to the City Council;
- To provide Business Transformation Services to the City Council.

1.1.2 Since 2006, there have been a number of changes to the contract, and significant change to the context in which the partnership operates. Most recently, a sixth set of contract negotiations have concluded, and both partners are now looking forward to how the benefits can be realised.

1.1.3 The Governance, Resources and Customer Services Overview & Scrutiny (O&S) Committee and the Partnership, Contract Performance and Third Sector O&S Committee agreed to undertake a joint inquiry to support the realisation of those benefits by examining how the partnership was working.

1.1.4 The purpose of this inquiry was two-fold:

a. To undertake an overview of the relationship between the City Council and Service Birmingham to gauge the extent to which it is functioning as a true partnership;

b. To undertake an overview to monitor the cost reduction proposals made by Service Birmingham, and to ensure implementation and compliance across the City Council.

1.2 Approach

1.2.1 The inquiry was conducted in two parts. The first part focused on the partnership (point a. above) and was led by the Governance, Resources and Customer Services O&S Committee. The second part – focusing on the implementation of the cost reduction proposals (point b. above) - was led by the Partnership, Contract Performance and Third Sector O&S Committee.

1.2.2 Two inquiry sessions were held in February 2015, and members from both committees were invited to both sessions. A number of witnesses gave evidence to the committees, and members are grateful to the following for their attendance and input:

- Cllr Ian Ward, Deputy Leader;
- Mark Rogers, Chief Executive, Birmingham City Council;
- Jonathan Prew, Head of Local Government, Capita;
- Tony Lubman, Chief Executive, Service Birmingham;
• Dave Baxter, Deputy Chief Executive, Service Birmingham;
• Andrew Mackey, Operations Director, Service Birmingham;
• Nigel Kletz, Assistant Director Procurement, Birmingham City Council;
• Jackie Woollam, Head of Strategy and Governance – Birmingham City Council Intelligent Client Function;
• Penny Smith, Directorate ICT Head, Place;
• Catherine Griffiths, Directorate ICT Head, People;
• Anne Shaw, Directorate ICT Head, Economy;
• Margaret Blizzard, Economy Directorate;
• Alison Jarrett, Assistant Director – Development.

1.3 The Report

1.3.1 This report sets out the findings and conclusions from the evidence gathered by both committees. The next chapter sets out the background to the partnership and the responsibilities of each partner. Chapter 3 focuses on the partnership itself whilst Chapter 4 considers the City Council’s role in particular. Chapter 5 considers the future development of the partnership. Finally, chapter 6 sets out Committee members’ conclusions and recommendations.

1.3.2 Given the changes to the City Council Constitution in May 2015, the report will be taken forward, and progress tracked, by the Corporate Resources O&S Committee.
2 Background

2.1 The Joint Venture Company

2.1.1 On 1 April 2006, the City Council entered into a partnership with Capita Business Services Limited and created a Joint Venture Company – Service Birmingham Ltd. There were two main elements to the agreement:

- To provide ICT services to the City Council until 31st March 2016;
- To provide Business Transformation Services to the City Council until 31st March 2016.

2.1.2 Both Capita and the City Council jointly established Service Birmingham, with the profits shared. If Service Birmingham generates profits up to 15%, then the City Council receives 15%; where Service Birmingham profits exceed 15% the new profit share ratio is 50:50 (compared to pre 2014 of 65:35).

2.1.3 In 2008, the provision of the Contact Centre services to the City Council was added to the contract.

2.1.4 In 2010, in response to unprecedented financial pressures, the City Council initiated a series of reviews to address these pressures and to mitigate the risks to frontline services. Following this, a decision was taken, in October 2010, to extend the partnership arrangement with regards to the ICT and Contact Centre services within the Service Birmingham contract to 31st March 2021, and to include the Revenues service within the Service Birmingham contract.

The Best Practice Group Review

2.1.5 In 2012/13 the City Council commissioned the Best Practice Group (BPG) to undertake a high-level review of the Service Birmingham contract. The main findings were:

- On balance, the partnership between Service Birmingham and the City Council has driven significant value in a number of the core services since its inception;
- It would be appropriate for Service Birmingham and the City Council to work at strengthening their operating relationship rather than to seek ways to disengage from the partnership;
- That better value for money and enhanced performance could be achieved; and that Service Birmingham should be working with the City Council to identify savings.

2.1.6 The report identified that:

"Now the transformation has largely been successful and the initiatives are almost complete, the level of innovation seems to have stalled and the relationship has deteriorated. Somewhere in the fire-fighting, both BCC and SB
have lost sight of the next ‘great common cause’ – the fact that the Council needs to further reduce the cost of ICT service delivery by £20m per annum”

Service Review

2.1.7 The BPG report’s key findings formed the basis of the Service Review carried out by the City Council in April 2013. Findings were reported in July 2013, including three key recommendations:

- Strengthen corporate governance and controls;
- Review all ICT services and standards to reduce costs;
- Challenge Service Birmingham costs to drive the identification of £20m savings, and evaluate the full costs of contract termination if the £20m could not be achieved through contract re-negotiation.

2.1.8 Negotiations with Service Birmingham commenced in September 2013, and the first formal offer was received in February 2014.

The Sixth Contract Variation

2.1.9 Following these negotiations, Cabinet, on 30 June 2014, approved the retention of the ICT and Revenues contracts with Service Birmingham but agreed that the Contact Centre should be brought back “in-house”.

2.1.10 At that meeting, Cabinet also delegated the agreement of the final revisions to the Service Birmingham Contract to the Deputy Chief Executive, in consultation with the Deputy Leader and Cabinet Member for Commissioning, Contracting and Improvement.

2.1.11 In March 2015, both Cabinet Members agreed to finalise the Heads of Term of the contract with Service Birmingham Ltd and amend the existing contract to form the Sixth Deed of Variation. The details of those amendments remain confidential; however, publicly available information states that the changes (including termination of the Contact Centre contract) will realise savings in excess of £158m from the baseline 2013/14 position over the remaining seven years of the contract to 2021.

2.2 Partnership Objectives

2.2.1 Service Birmingham's mission is "to work in partnership with Birmingham City Council to transform its public services".

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1 As under the Local Government Act 1972, Schedule 12A, paragraph 3: financial or business affairs of any person, including the authority.
2 Report to Deputy Chief Executive in Consultation with the Deputy Leader and Cabinet Member for Commissioning, Contracting and Improvement: Variation to the Contract with Service Birmingham Limited (6th Deed Of Variation) – Public Report, 24 March 2015
2.2.2 The Strategic Partnership Agreement defines partnership objectives, principles and values – which were agreed in 2006 at the start of the partnership. The objectives of the Partnership, at the highest level, are to:

- Support and assist the Council in its delivery of the Council’s Corporate Plan;
- Make step-change improvements in the economy, efficiency and effectiveness of the Council’s delivery of its functions;
- Help the Council become a ‘world class’ provider of public services;
- Deliver an excellent ICT service to support the Council’s delivery of services;
- Support economic development in Birmingham.

2.2.3 The partnership principles are set out in Appendix 1.

2.2.4 The Service Birmingham joint partnership objectives are set by both partners and the Chief Executive of Service Birmingham is legally responsible for achieving these.

2.3 Responsibilities within the Contract

2.3.1 The division of responsibility within the contract is as follows:

- Service Birmingham:
  - Responsible for delivering ICT Core services (the support and maintenance of all BCC ICT applications, telephony and associated services) - Service Birmingham has exclusivity over these services;
  - Projects (i.e. new ICT developments), these are not included in core contract costs and are not an exclusive part of the contract - Service Birmingham does not have exclusivity over this element, but the City Council has to be aware of where the exclusive elements of the core contract interact with the core exclusive elements (sometimes described as Service Birmingham being responsible for “plug in and play”).

- The City Council:
  - Responsible for setting standards and policies for its ICT operations e.g. security;
  - Responsible for managing its ownership of all its ICT assets (from applications to mobile phones). This would include closing down access and changes of use from staff leaving etc.

2.3.2 The City Council’s ICT assets comprise several different elements:

- The network and underlying infrastructure platforms that support the application estate (e.g. shared servers, storage, connectivity solutions, wireless and wired networks);
- Corporate applications and services such as Microsoft Outlook, SAP, telephony, operating systems licences, corporate security solutions;
- Major applications used across the City Council but not by all services, e.g. eRecords, SharePoint, NetMotion;
- Major applications core to delivery of individual services, e.g. Carefirst, Northgate Housing, Northgate M3PPS, RBIS;
- Several hundred smaller applications used within service areas to deliver specific functionality.
3 Repairing the Relationship

3.1 Getting Back on Track

3.1.1 As outlined in the previous chapter, the contract negotiations have concluded and the variations to the contract are now agreed. The inquiry therefore did not consider these, but looked beyond the contractual requirements to how the benefits are realised – and key to this is the relationship between the two partners.

3.1.2 The need to “do things differently” had been identified before the start of the inquiry, as both parties recognised that the relationship had become very contractual, with a number of disagreements and disputes. Partly, this was seen to be the result of a loss of common purpose. Both sides acknowledged that initially the partnership arrangements had a common understanding of purpose and direction, and it helped transform the services the City Council was delivering. However after that period, the relationship moved to a more contractual arrangement:

“Partnership working is about understanding the objectives of both parties and working together to agree and then achieve joint objectives. The Partnership was originally established with Capita with this strong sense of purpose and shared objectives from the advent of the Business Transformation Programme. The Council and Capita’s Partnership in Service Birmingham has gone through a period where the commercial contract arrangements predominated and this has created mistrust and less attention has been made of ensuring that the two organisations are aligned”.3

3.1.3 Members were encouraged to hear the Deputy Leader, the City Council’s Chief Executive and Service Birmingham’s new Chief Executive emphasise the importance of partnership and having a shared interpretation of that. They stated a clear intention to move back to a partnership ethos, so that it permeates both organisations and shapes behaviour. The Deputy Leader stated that it was his aim for both officers and members of the City Council to see Service Birmingham as the City Council’s “IT department” - rather than a separate entity to the City Council - and the Service Birmingham Chief Executive agreed. There perhaps needs to be a clearer view on what this means.

3.1.4 It was recognised by all our witnesses that the focus now has to be on making the relationship work to deliver both the savings and the improvements.

3 Joint Submission to the Governance, Resources and Customer Services O&S Committee from Cllr Ian Ward – Deputy Leader, BCC; Mark Rogers – Chief Executive BCC; Jonathan Prew – Head of Local Government, Capita; Tony Lubman – Chief Executive, Service Birmingham (6th February 2015)
3.1.5 The Committees therefore explored what was needed to ensure this vision was realised.

3.1.6 The evidence suggested that, fundamentally, it is about addressing the historic mistrust that has grown up between the partners over the years. Trust and confidence must be built back into the relationship. There are a number of ways in which that can be done, and these are considered below:

- Ensuring that there is a mutual understanding of the partners’ aims;
- Greater transparency – of costs (including assurance and visibility on third party costs), of what is in the contract and how Service Birmingham works;
- Having common goals within a clear governance framework;
- Working together more closely.

3.2 Addressing Historic Mistrust

Mutual Understanding of City Council and Capita Aims

3.2.1 To ensure we have a true partnership, the aims and objectives of Capita and the City Council need to be understood and acknowledged by the other.

3.2.2 There has clearly been a perception – from members, the public and the press – that Capita see the Service Birmingham joint venture as a means to make money. At our evidence gathering session, the Service Birmingham representatives acknowledged this perception, and that Capita does share in the profits made by Service Birmingham (as does the City Council). However they emphasised that Capita views its partnership with the City Council as its highest profile and largest local government partnership in the UK and that the relationship is of enormous importance:

> Capita is proud of its partnership with BCC and wants to be a valued partner in delivering the high expectations the people of Birmingham have for their council... Capita views its partnership with the City as its highest profile and largest local government partnership in the UK. ⁴

3.2.3 They agreed that Capita and Service Birmingham need to recognise the City Council’s need to meet service requirements and provide the best possible service for citizens, as well as the seriousness of the City Council’s financial position and its need to make savings.

> “Capita wishes to support the council to address the challenges of revenue reductions, increasing customer expectations and demands resulting from demographic change”. ⁵

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⁴ Joint Submission to the Governance, Resources and Customer Services O&S Committee; ibid.
⁵ Joint Submission to the Governance, Resources and Customer Services O&S Committee; ibid.
3.2.4 Equally, councillors and officers – and the public – need to recognise that the partnership is a commercial one, not a social enterprise, a public sector mutual, or a charity, and therefore making a return on investment is intrinsic to the partnership.

3.2.5 It was noted during the meeting that none of these goals could be achieved without a successful partnership and working together.

3.2.6 Committee Members were encouraged by the positive undertakings to share understanding made by the lead members and officers involved in the Service Birmingham partnership. However there is clearly a need to ensure that this understanding is not only understood across both organisations, but accepted as part and parcel of the partnership. Later in the report, we refer to presentations being made by officers to explain the contract to members and officers across the organisation; these should include some element that acknowledges the two organisations’ different aims. However, it should also be emphasised that these sometimes conflicting aims are not insurmountable and can be addressed, particularly through closer working and agreed strategies (see section 3.3 below).

**Better Understanding of the Contract**

3.2.7 The Best Practice Review in its report noted that there needs to be a much clearer understanding, and greater transparency, of what the contract does and does not cover. This was reflected in the evidence the committees received. It seems clear that members and officers are still unclear about how the partnership works, and had incorrect perceptions of the service delivery and performance remit.

3.2.8 Service Birmingham’s Chief Executive assured the Committees that work was already in progress on this. Presentations have been made to each of the three political groups by the Assistant Director of Procurement, and across the different directorates at Directorate ICT Strategy Groups (see chapter 5 below). This work needs to be continued and extended to other officer groups.

3.2.9 Alongside this, it is important that members and officers understand some of the background, to appreciate how decisions made in the past affect decisions now and in the future. For example, the City Council has invested heavily in certain technologies (e.g. SAP), some of which will allow flexibility but others have constrained options for change. Sometimes Service Birmingham is blamed for perceived inflexibility when it is in fact the result of City Council corporate decisions. On the other hand, the response from Service Birmingham needs to be more than a simple “no, because...”. There needs to be a more proactive response to support resolving the issue at hand.

3.2.10 A better understanding of the challenges faced by Service Birmingham in providing the ICT services would also benefit relationships. For example, Committee Members were told that security of data is a major concern and data must be protected. The City Council can get up to 24,000 cyber attacks per minute. Tackling this can have an impact on other work and may result in slips in other timescales, and this needs to be explained to those involved.
3.2.11 This is being addressed – for example there was a Councillors briefing session on Tuesday 14th April provided by Service Birmingham, which offered members information on security awareness, passwords, Public Sector Network compliance and cyber-attacks. However, communication should continue to be considered and improved.

3.2.12 Equally, there must be understanding from Service Birmingham on the pressures faced by the City Council, and the imperative to provide services whilst meeting required budget reductions.

Greater Transparency

3.2.13 Another area to be addressed to rebuild trust and confidence is transparency around costs and charging. This is partly to do with the issue raised above – the perception that Capita profits from the relationship. Some objections to this focus on the fact that a private company is profiting from public money; whilst others accept that profits are a part of the partnership (and that the City Council also receives a share of profits) but that the City Council is not getting value for money, therefore the profits are not justified. The partnership also needs to demonstrate that excessive or unreasonable profits are not being generated.

3.2.14 There is a perception that many ICT packages can be bought more cheaply elsewhere, or that projects could be delivered more cheaply, and service areas need to be given confidence that they are being appropriately charged.

3.2.15 In fact Committee Members were told that benchmarking conducted by the City Council’s Intelligent Client Function (see section 4.3) shows that Service Birmingham costs are, for certain services (day rates), at or below market level costs. However, this message does not seem to have been heard in many parts of the City Council.

3.2.16 Nonetheless, the City Council is a “captive client” as far as core ICT services are concerned, and this demands greater transparency on charges, including those for third party contracts.

3.2.17 To some degree, there already is greater transparency because the partnership is a joint venture which means that the City Council has access to the information as a partner. In a way, this can be part of the problem - the “add-on” costs are visible and so are easy to identify. Whereas of course the City Council pays “add on” costs on all contracts and purchases - these are just not always visible.

3.2.18 Improving financial transparency on all work undertaken and providing directorates with greater clarity and understanding of the charging for services forms part of the ICT Improvement Programme (see Chapter 4). Actions already in progress or proposed include:

- The review and amendment of the ‘Spotlight’ report, which is designed to give a better representation of the charges to deliver all ICT services provided by Service Birmingham and how they are allocated across Directorates. Spotlight is reviewed annually as part of the budget setting process;

- Service areas get a breakdown of costs when commissioning projects;
• The development of a protocol to ensure the City Council maximises the opportunities to use the market to compete against Service Birmingham for the development and delivery of projects to demonstrate value for money (part of the ICT Improvement Programme – see Chapter 4);

• The appointment of a private sector ICT partner to act as a “critical friend” to the City Council for a two to three year period, to check, challenge and ensure value for money, including peer review of services (set out in the Future Operating Model – see Chapter 4).

3.2.19 Committee members were again encouraged to hear the actions in place to increase transparency. However, again the message needs to be disseminated to a wider audience.

3.2.20 Part of this is about transparency in quotations for new projects. Members were told that quotations are produced against business requirements specified by the Service Areas and may typically include the following elements:

• Third party costs from application vendors (e.g. Northgate, OLM, etc.) for work required to provide or enhance applications. Where possible and relevant, Service Birmingham seeks quotations from a number of third parties to ensure value for money.

• Infrastructure including hardware (e.g. servers, desktops, laptops, etc.) and voice/data networks. Service Birmingham typically compete many of these costs every few years to ensure value for money;

• An estimate of the resources required within Service Birmingham to deliver the project (e.g. Project Management, Technical Resources, Testing resources, etc.). An outline design and plan is put together for the solution against which the relevant teams estimate how much effort is required to deliver it.

3.2.21 Alongside this, the Council needs to improve its approach to commissioning such work, including developing business case writing skills.

3.2.22 Trust and confidence depends on transparency of charging to give assurance that costs are reasonable.

Common Goals

3.2.23 A recurring view from our witnesses was that the Service Birmingham partnership had started off on the right track because the requirements of business transformation – the outcomes - had been defined at the start and there was a common understanding (at least amongst those involved) of what the partnership was trying to achieve.

3.2.24 The mission statements, objectives and principles (set out in section 2.2) were agreed in 2006, at the start of the partnership. There was some views submitted to the committees that these should be refreshed – particularly as the emphasis on Business Transformation has now passed. The Committee agrees with this, and this is picked up in the Conclusions and Recommendations chapter.
3.2.25 Equally important is that the City Council is clear about its requirements and expectations - hence the development of the City Council's ICT Strategy and Improvement Programme; these are discussed in Chapter 4. That the City Council has a clear plan for its ICT is just as vital to the success of the partnership - as Committee Members were told: a better informed and more capable client provides for a stronger partnership.

Clear Governance Structures

3.2.26 Committee members also heard that governance arrangements have been refreshed and strengthened:

- **Strategic Partnership Board (SPB)** - sometimes referred to as Joint Venture Board. SPB receives reports on Service Birmingham performance (financial, service) and key developments. This is a board of five Company Directors. Membership is:
  - Birmingham City Council: two councillors;
  - Service Birmingham: Tony Lubman (CEO), David Baxter and Jonathan Prew (Capita).

- **Service Birmingham Partnership Board** is chaired by the Deputy Leader, with cross party attendance (currently Cllrs Randal Brew and Muhammad Afzal). Mark Rogers (Chief Executive) and Paul Dransfield (Deputy Chief Executive) also attend regularly. This group meets to:
  - Monitor the business of Service Birmingham;
  - Agree strategic direction to the ongoing development of Service Birmingham;
  - Carry out the contractual obligations of the Board;
  - Maintain alignment of interest between Service Birmingham Partners;
  - Ensure that the shared aim, vision, purpose, strategy and values of the Partnership are maintained.

3.2.27 In terms of management, Capita has recently, with City Council agreement, appointed a new CEO to Service Birmingham and a Finance and Commercial Director. An additional member of the senior team has been appointed as Business Change Director specifically to assist the City Council's change programmes and to make clear its commitment to work together more effectively.

3.2.28 Within the City Council, responsibility for the partnership is with the Assistant Director, Procurement and the partnership will be overseen by the newly appointed Interim Delivery Director.

Closer Working

3.2.29 A key finding from the inquiry was that closer working would help facilitate more efficient working between council directorates and Service Birmingham. As the Best Practice Group report put it:
“True partnership working is about the day to day ‘bump and grind’ of operating the relationship; how both parties try and find solutions to simple everyday problems; being truthful with one another in issues that arise; resisting the urge to fall into one-up-man-ship behaviour when misunderstandings arise; accepting that genuine mistakes and genuine misunderstandings happen and focusing energies on (a) preventing the same mistake repeating itself, (b) rewarding people putting their heads above the parapet to try new initiatives whether they succeed or fail, and (c) learning from mishaps, committing to a lessons learned culture and rewarding behavioural change as a result.”

3.2.30 Both the City Council and Service Birmingham expressed their willingness to work closely on a day to day basis.

3.2.31 A number of examples of what “closer working” should look like were discussed at the evidence gathering session:

- The Service Birmingham Chief Executive and other senior officers being treated as a member of the City Council’s senior leadership team and seen as a department of the City Council. The Deputy Leader and City Council Chief Executive have extended an invitation for the Service Birmingham Chief Executive to join the Executive Management Team; and the Deputy Chief Executive of Service Birmingham attends the ICT Programme Board;

- Addressing the disadvantages of geography: the Service Birmingham’s current offices, B1, are some way from the City Council offices, though they are due to move in the summer of 2015. There should be more physically closer working, and this should include councillors visiting B1, taking a walk round and talking to staff – some of whom are, it should not be forgotten, still City Council employees;

- Practical examples of working together – for example on business cases which articulate and then deliver benefits which can be clearly evidenced. Firstly, the City Council needs to improve business case writing skills for officers, but also that those officers need to engage with Service Birmingham at the appropriate time, so that it is early enough to ensure business requirements are clearly understood, and that they can develop a project and engage the market. At the meeting, an offer was made by Service Birmingham Chief Executive to put on workshops on business cases. Improving collaborative working here will drive trust and minimise wasted effort. There are good examples of successful projects (e.g. green waste project that went live on the day of the second evidence gathering session – this started in December and moved very fast, but was successful because both sides worked together).

3.2.32 A further idea would be to emulate the “day in the life” initiative that the One Contact Programme (the programme for bringing the contact centre in-house) is using to enable staff in the contact centre to spend time working in service areas to help understand customer issues. This may be more complex with regards to Service Birmingham, but those working on projects or on core ICT,
getting that greater understanding of how the City Council operates day to day could be invaluable. As one member put it: “the relationship with Service Birmingham seems to have degenerated into the traditional customer and supplier one, which means that Service Birmingham know how things work, but not necessarily why; and the Directorates know why, but not how”. This needs to change.

3.3 Summary

3.3.1 There has been a common perception that a contractual, financially-driven relationship does not deliver what both parties collectively need. There is willingness on both sides but that needs to be evidenced, not just through the day to day behaviours, but by delivering projects that are clearly the result of collaboration, not “one side doing it to the other”. Greater transparency is key, including greater involvement in third party procurement, as well as assurances on Service Birmingham costs and that the ICT solutions identified are appropriate.

3.3.2 Committee members look forward to seeing positive examples of this when the tracking report is presented to the Committee in around six months, as well as real progress against measures of success (which we define in the Conclusions and Recommendations chapter).
4 The City Council’s Role

4.1 Partnership Obligations

4.1.1 The previous chapter focused on the partnership as a whole, but as one half of that partnership, the City Council must ensure that it is both doing its part and also seeing the benefits realised as savings are delivered and services to citizens are improved.

4.1.2 This chapter therefore looks at how the City Council will deliver its partnership obligations. Primarily this means the agreement and implementation of a clear and transparent ICT Strategy, with clear and transparent governance arrangements in place to deliver that strategy. However, it is also about the relationship with Service Birmingham and ensuring that the City Council is reflecting the right behaviour and attitude at all levels of the organisation.

4.1.3 Finally, the actions in place to achieve the cost reduction proposals are considered.

4.2 A City Council ICT Strategy

The Need for a New Strategy

4.2.1 As noted in section 2.3 above, one of the City Council’s responsibilities under the contract is to set standards and policies for its ICT operations. It was reported that, until recently, there had been no short or long term City Council wide ICT plan, which has meant:

- No expenditure forecast for infrastructure or applications which in turn means there has been little or insufficient budget allocated for future needs;
- Spending has not always been driven by a clear ICT strategy;
- Opportunities for economies of scale may have been lost.

4.2.2 A clear strategy will allow the City Council to identify need and resources over the coming years and guide the prioritisation of projects that is necessary in the current financial climate. Working closely with Service Birmingham, the City Council will then be better placed to:

- Respond to the changing shape of the City Council and new demands placed on it;
- Ensure that ICT remains fit for purpose, as an integral part of delivering and supporting City Council services and functions;
- Ensure that ICT is seen, and used, as an enabler, innovator and driver of efficiency;
- Reflect the City Council’s changing role and relationships, including greater collaboration with other public, private and third sector partners either through commissioning, arm’s length organisations, collaborating or outsourced bodies;
• Reflect the growing need for transparency and openness of data, to make readily available council data and information to businesses and citizens placing information management at its core to ensure integration of data across systems (Birmingham has been recognised as an “open data champion”).

The Strategy

4.2.3 An ICT strategy is being developed at the time of writing. Committee members were informed that the focus will be on:

- How ICT will benefit citizens;
- Reducing administrative burden for front line staff;
- Providing more and effective manager and staff self-service.\(^7\)

4.2.4 The Strategy will comprise:

- An ICT Improvement Plan – addressing short/medium term issues (from now to 2016/7);
- A proposed future operating model;
- A seven year investment strategy.

4.2.5 The timeline for the strategy is set out in Figure 1 below.

Figure 1: ICT Strategy Timeline

![Figure 1: ICT Strategy Timeline](image)

ICT Improvement Plan

4.2.6 The ICT improvement plan sets out a series of initiatives to deliver £20m per year, manage directorate contributions and engagement and deliver a series of further essential activities. Some of these have already been referred to (in Chapter 3).

4.2.7 Some activities are about how the City Council works and are about cost reduction proposals (see section 4.5 below).

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\(^7\) Council ICT Strategy and Future Developments, paper submitted to Governance, Resources and Customer Services O&S Committee, February 2015
The Future Operating Model

4.2.8 The Future Operating Model (FOM) recognises the need to rebuild the City Council’s ICT capabilities, as the majority of the City Council’s formal ICT skills have transferred to Service Birmingham. Coupled with the loss of key City Council personnel, this has “weakened the Council’s ability to manage and control its ICT destiny and costs”.8

4.2.9 It also recognises that:
- Directorate spending on project areas needs to be more strongly driven by a clear ICT strategy and opportunities for economies of scale;
- There is a need for directorates to be managed and supported with clear direction in relation to IT management and development to ensure that business cases are strong with clear benefits and the impact on the corporate ICT estate is considered in each commissioning decision.

4.2.10 There are three priorities in the FOM:
- Priority 1 Short term solutions: Technical and financial control (Sept 2014 – Sept 2015); including:
  - Produce annual ICT investment plan and projects profile for Service Birmingham to cost and the City Council to benchmark and take external independent advice;
  - Commence establishing skills and capability to develop business cases, business analysis, technical architecture, ICT project management;
  - Develop and implement a communications and training plan for members and officers that clarifies the operation of the Service Birmingham contract and raises commercial awareness across the organisations.
- Priority 2 Medium term solutions: Developing skills and capacity (Sept 2015 – Sept 2016); including:
  - Develop a training programme for key staff across BCC based on ICT skills based on 3 key themes of Knowledge, Advisory and Expert;
  - Transfer certain ICT staff back to BCC control from SB to replace the critical friend support in priority 1;
  - Transfer SB service areas back to BCC to run where beneficial and contractually allowable.
  - Develop a procurement policy for ICT project that takes account of the retendering timetable.
- Priority 3: Preparing for the future (Sept 2016 – Sept 2017); including:

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8 Council ICT Strategy and Future Developments, paper submitted to Governance, Resources and Customer Services O&S Committee, February 2015
- Preparation for contract termination;
- Programme of market engagement and consultation to inform, prepare and support the tender strategy;
- Development of tender strategy;
- Structure the resources into a client based IT service;
- Determine City Council future ICT requirements and approach.

**Seven Year Investment Plan**

4.2.11 There will also be a seven year vision to guide investment, which will incorporate:

- Corporate Infrastructure needs;
- Directorate strategies and investment plans from People, Place and Economy;
- Investment needs and review of applications such as SAP (in the case of SAP a review of future solutions for the main corporate functionalities provided by the SAP system has begun and a draft strategy is being prepared).

**4.3 City Council ICT Governance**

4.3.1 The new ICT strategy will be supported by governance arrangements incorporating member and officer involvement. The key aims are that:

- Directorates are able to feed any problems or proposals to the Programme Board, and to allow key messages to be disseminated across the organisation;
- There are defined measures of how this will work, and ensure that this is cascaded down; with a centre-led model that will drive and police the approach, but with directorate accountability;
- Roles are understood by all, again to ensure clear accountability.

4.3.2 All requests for new projects over £200k now have to go through the ICT Programme Board to ensure that any new projects are aligned with City Council priorities and IT infrastructure.

**ICT Programme Board**

4.3.3 The ICT Programme Board remit includes approval of ICT Strategy; review, progress and realisation of innovation and savings initiatives; approve Corporate Investment Plan and Strategy and review of Directorate Investment Plans and Strategies; overview and approval of new ICT spend over £200k; and escalation point for ICT Strategy Group and non-compliance areas.

4.3.4 Membership comprises: Deputy Leader (Chair); Deputy Chief Executive, officers from ICF, ICT Directorate Leads; Finance; Customer Services; Service Birmingham; plus an external advisor (to be appointed).
ICT Corporate Strategy Group

4.3.5 The remit of this group includes development of corporate ICT strategy for approval; development, review and alignment of the ICT strategy; overview and prioritisation of all cross council ICT projects and approval/rejection up to £200k; escalation point for ICT Directorate Groups; reporting ICT spend and performance, partnership and relationship development; and to seek challenge and innovation.

4.3.6 Membership will include officers from the ICF, finance, corporate strategy and Service Birmingham, plus an external advisor to the City Council (to be appointed).

Directorate ICT Strategy Groups

4.3.7 Directorate ICT Strategy Group remit includes Directorate ICT strategy; Directorate ICT investment plan; innovation & savings initiatives development; alignment to City Council and directorate strategies; ICT commissioning; ICT project approval gatekeeper/progression; enforcement of corporate policies; and applications roadmaps.

4.3.8 Members include ICT Leads from People, Place or Economy (Chair); Chair of Directorate Procurement and ICT Operational Groups; senior directorate managers, ICF, Finance, Service Birmingham Engagement Directors (except where private matters are discussed) plus an external advisor to the City Council (to be appointed).
**Directorate Procurement and ICT Operational Groups**

4.3.9 The remit of these groups includes asset ownership; Operational ICT: issues / performance Management; compliance to IT processes / policies - remove corporate disobedience; Starters, Leavers and Movers (staff); procurement of ICT.

4.3.10 Membership to be agreed, but to include Service Birmingham, Service Delivery Managers and officers from the City Council’s ICF function.

**Intelligent Client Function**

4.3.11 Within the Economy Directorate, the Intelligent Client Function (ICF) manages the Service Birmingham contract. Having a robust ICF is crucial in maintaining trust and confidence in the contract and the partnership. Their role is to challenge Service Birmingham, for example that ongoing support costs are appropriate. Members were told that projects of £10,000 or above will be scrutinised and confirmed reasonable by the ICF against set criteria.

4.3.12 The evidence submitted to the inquiry was that the budget of the ICF has been cut and is significantly below the industry standard of a Client Function that is at least 2% of the overall Contract cost.9 There is however provision within the City Council’s proposed budget to create the minimum sustainable client function to deliver against the strategy defined in this paper and the above objectives.

**4.4 Embedding the Change**

4.4.1 Committee members received a lot of evidence about changes that have recently been put in place or are in progress. However, a common thread running through the discussions was that these changes need to be embedded across both organisations, not just advocated by senior managers.

4.4.2 This is about culture, in particular:

- That Service Birmingham are more proactive in putting forward ideas;
- That officers across the City Council are receptive to these ideas and any challenge, and that defensiveness and resistance to change is overcome;
- That officers across the City Council understand technology as an enabler to drive efficiency and service improvement, to make us more agile and flexible;
- That Service Birmingham officers understand City Council needs better and challenge directorates in terms of business requirements and specifications;

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9 Separate independent reports from the Public Accounts Committee, the National Audit Office, the Local Government Association and Atos Consulting have all stated that the Industry standard recommended cost of a Client Function is at least 2% of the overall Contract cost (Council ICT Strategy and Future Developments paper, submitted to Governance, Resources and Customer Services O&S Committee, February 2015)
• That officers across the City Council are receptive to this challenge and understand that the “100%” fit may not be affordable, and the “80%” fit – if cheaper – is good enough;

4.4.3 There need to be conversations and good practice within directorates to make this happen.

4.5 **Cost Reduction Proposals**

4.5.1 Committee members also considered the cost reduction proposals which flowed from the contract variation. Some of these have already been touched on; others are contained within the ICT Improvement Plan, set out above. There are a number of projects covered here, for example the rationalisation of applications used.

4.5.2 The City Council and Service Birmingham have jointly commissioned Atos to undertake a review of the application estate and establish applications that could be candidates for rationalisation or decommissioning to ensure that what we have is both used and necessary, and to check whether there are charges being made for applications that are no longer in use. They will then work with the City Council through the ICF and each affected directorate to determine the benefit associated with the rationalisation.

4.5.3 Each rationalisation will be identified as a funded project and be subject to a business case and managed under the existing contract terms. Where the Council invest fully in the rationalisation, it is expected that it would retain the benefit of any net annual savings. If a joint investment in rationalisation/migration is made then any share of the benefits will be agreed ahead of project commencement. Rationalisation costs will include:

• Costs to migrate including staff effort, third party costs and any uplift in licenses/infrastructure to increase the usage of the retained system;

• Training of Council staff;

• Liability of redundancy costs and pension strain attributable to this rationalisation;

• Costs of any supplier breakages in association with the removed application;

• Loss of profit payable to Service Birmingham in line with the reduction in core service.

4.5.4 Beyond specific projects however there is a clear role for directorates to engage with this process and work to yield savings. This includes:

• Good directorate “housekeeping” such as:
  - Notifying Service Birmingham of all leavers, in order for their accounts to be deleted;
  - All ICT assets are accounted for on the asset register (to ensure that there are no stored, unallocated or redundant desktops/laptops within the Directorate);
  - Communication, understanding of and compliance with ICT processes and governance requirements especially around projects;
- Not bespoking requirements unless it can be justified for business critical reasons as this adds additional cost at implementation and often significantly greater costs over the lifecycle of the application.

- Ensuring all projects meet service need and do not replicate projects or applications already in existence. There is a corporate approval process for projects over £200,000; below that directorates must approve and therefore need a process to give visibility to projects, to see if other directorates have similar projects/ needs; or to use market testing as this has not been used much in the past.

4.5.5 However there is currently little incentive to do this. Currently, a budget is allocated annually to each Directorate by Corporate Finance, to cover the Core ICT payments. This figure is calculated by taking the total ICT charge and deducting any ongoing support charges for core plus, that are paid through monthly recharges.

4.5.6 In simplistic terms, Corporate Finance allocates a budget to Directorates that matches their core ICT charge. Additional charges therefore need to be funded by Directorates, as these are charged through the monthly invoice process. However, it also means that if directorates rationalise their ICT or make savings, they do not directly benefit, as the overall allocation is simply reduced.

4.5.7 Another element is to ensure that the impact of staff reductions is reflected in the overall costs. The contract allows for some variability on charges, although some costs are fixed (i.e. the same regardless of the number of users). The contract requires the Council to advise Service Birmingham the volume of their forecast ICT user changes twice a year. Any individual directorate which does not provide their forecast by the required date may encounter a six month delay to any reduction in the overall costs to the City Council – though not necessarily their own budget.
5 Developing the Relationship

5.1 The Future

5.1.1 Whilst much of the focus of the inquiry was on ensuring that the relationship is on the right footing to achieve the aims and objectives of the partnership, Committee members also considered evidence on how the Service Birmingham relationship should develop over the remaining six years of the partnership, and in particular how that development should support the future needs of the City Council.

5.1.2 Broadly there were three elements to this:
- Working together to ensure that technology is seen as an enabler across the organisation;
- Making the most of the expertise on offer in the partnership;
- The role of the joint venture.

5.2 Technology as an Enabler

5.2.1 A recurring theme through the evidence gathering was that, in some areas, the City Council may have lost sight of how technology can enable both improvements and cost savings. Understandably, there has to be a focus on cost and delivering the best that is affordable. However, our witnesses emphasised that the role of technology as an enabler should be more widely recognised and understood by service managers, so that choices are not always driven by what is cheapest, or by “like for like” replacements, but that the project overall delivers improvements and savings.

5.2.2 This should be picked up by the training programme for key staff, outlined in priority 2 of the future operating model (section 4.2).

5.3 Making the Most of the Expertise

5.3.1 To realise this requires expertise – technological change is rapid and continuing, so those making decisions need the capability to understand and exploit developments in ICT, the benefits of system/data integration and how changing ICT delivery models can deliver value to the organisation.

5.3.2 It was suggested that the City Council should better understand and make use of the wider knowledge and expertise held by Service Birmingham and Capita: both could make a contribution to addressing and solving the challenges and problems the authority is facing. Capita has expressed a willingness to work with the City Council in this way.
5.4 **Building Expertise**

5.4.1 The City Council also needs to look to its own in-house expertise. Committee members were told that the City Council has lost many people with relevant skills and expertise, not just with regards to ICT, but business analysis and project management skills. This has meant that services can find it difficult to define what they want out of an IT system, which can lead to mistakes. It means that service areas have difficulty in assessing the quality and cost of ICT projects (e.g. in putting together business cases - see below). It also means that there is a lack of awareness as to how ICT can improve services and/or make savings rather than just replicate what we do now.

5.4.2 Longer term, this will be particularly important when considering the options for retendering.

5.4.3 Again, this is picked up in the future operation model (chapter 4).

5.5 **The Role of the Joint Venture**

5.5.1 The ability of the joint venture to sell services was discussed at the second evidence gathering session. This was one of the reasons for setting up the joint venture (rather than having a more conventional contractual relationship). It also affects how the contract is perceived - as already discussed, the profits made by Service Birmingham are shared by Capita and the City Council. However, they all currently come from one source - the City Council. Broadening this would bring further benefit to the City Council.

5.5.2 Officers clarified that ownership of Service Birmingham migrates back to the City Council at the end of the contract.

5.5.3 However, one of the reasons for framing the partnership as a joint venture was that the business could then sell on its services to other public sector bodies. Committee members were told that it is difficult to sell to other local authorities as not all use the same products and there can be some reluctance to work with larger authorities in this way. However, it can work, for example work currently underway by Service Birmingham with Sheffield City Council (care first).

5.5.4 In terms of business development, Service Birmingham have put more investment in schools business, to market services to schools (most contracts are procured on an annual basis). This is something that could be explored with the Birmingham Education Partnership in the future, working with schools across the city, to offer better value for money for a group of schools and allowing for further ICT developments.

5.6 **The Future**

5.6.1 Considering the long term future of the City Council’s ICT capability, the City Council needs to consider a number of issues to be ready for the ending of the contract in 2021. In evidence
submitted to the inquiry, Committee members were told that 2017 is seen as the start for planning for retendering. This work needs to involve:

- Consideration of whether ICT should be delivered by a joint arrangement with other local authorities;
- The impact of changes to the City Council from commissioning and alternative models of service delivery;
- The impact of its ICT investment Strategy and its longer term plans for services;
- How other developments within the Council impact on how ICT is delivered i.e. as a discrete area of work or as part of a wider package of work (as was the case in 2006);
- The implications from any tendering model on how ICT is delivered within the City Council and the shape of the client function or in house service.

5.6.2 Finally, Committee members also considered whether the Joint Venture model is still the best option. It was noted that there are a number of other ways in which ICT services can be delivered, but that “the public sector is reliant on private sector technical provision irrespective of the contracting out model”.

Capita has other contract types but their experience is that the relationship is more important than the delivery vehicle.\(^\text{10}\)

5.6.3 Whilst it has been agreed to retain the Joint Venture, the case for continuing this post 2021 needs further exploration.

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\(^{10}\) Joint Submission to the Governance, Resources and Customer Services O&S Committee, op.cit.
6 Conclusions and Recommendations

6.1 Trust and Confidence

To rebuild and deliver strong partnership working, trust and confidence must underpin all we do at all levels from Member and senior management interactions through to the delivery of individual projects.\(^{11}\)

6.1.1 The evidence received indicated that the relationship has not been working as it should in recent years and that failure has resulted in a lack of joint working (including moves to contractual disputes) which has cost both time and money in the delivery of ICT services. The benefits of the partnership as envisaged were also lost – the sharing of knowledge and expertise, and the opportunities to market products.

6.1.2 Both partners have acknowledged that the relationship has not been working as it should, and have signalled a clear intention to move on from that. It has been recognised that this is crucial to ensuring that the partnership can deliver on its objectives.

6.1.3 Critical to this is rebuilding trust and confidence in the partnership, across both organisations. Committee members welcome that this has been expressly and emphatically recognised by both sides, and are encouraged by the positive undertakings to share understanding made by the lead members and officers involved. Members recognise the positive achievements made so far, but also that the longstanding problems and negative perceptions will not be easily overcome.

6.1.4 The role of the O&S Committees at this juncture therefore is to put forward some practical suggestions as to how this opportunity to make substantial improvements can be maximised, and to set some clear parameters as to how success will be measured.

6.2 Realising the Benefits

6.2.1 Committee members recognised the many useful and concrete steps that have been put in place already to improve the partnership and ensure that it makes a positive contribution to the City Council’s priorities – including refreshed governance structures and the introduction of a City Council ICT Strategy.

6.2.2 However, the evidence received suggests that the historic mistrust that has grown up between the partners over the years will be a barrier to success unless it is explicitly addressed. The key to tackling this lies in clarity and transparency. This is partly about information and communication, but it is also about how the partners work together. Specifically, the City Council needs to be

\(^{11}\) Joint Submission to the Governance, Resources and Customer Services O&S Committee, op.cit.
assured that it does get value for money from Service Birmingham and that Service Birmingham proactively shares ideas and demonstrates in its work the need to ensure spending is driven by business needs.

**Service Birmingham Mission Statement, Objectives and Principles**

6.2.3 Firstly, the mission statement, objectives and principles should be reviewed and updated to give absolute clarity to the partnership, and ensure that it is aligned with current City Council priorities. The current mission statement is “to work in partnership with Birmingham City Council with common purpose to transform its public services”. The Joint Submission from Service Birmingham and the City Council stated that:

“Whilst this could still be relevant, it may be worth considering if this should change: “to work in partnership with Birmingham City Council to deliver its corporate objectives” given that there has been a significant change in focus for the Council since the partnership was formed.12

6.2.4 Committee members would support this change, and would also suggest that this is supplemented by a statement or business case explaining why the City Council has and is retaining the Service Birmingham partnership. Clarifying and publicising this ensures that there is understanding of why the City Council has entered into the partnership and the benefits are clear. It is also recommended that the objectives set out in section 2.2 of this report, and the principles set out in Appendix 1, are also reviewed. These should reflect the on-going financial challenges faced by the City Council. These should be reviewed annually to ensure they remain relevant and focused on the City Council's Corporate Plan for that year.

6.2.5 The next step is to evidence achievement of these objectives. Therefore Service Birmingham should have operational plans (for one, three and five years) setting out its role in achieving these. This plan should adopt the “Business Transformation” approach, with business cases specifying resources, owners, timescales, milestones and benefits. This would provide evidence of a strategic approach, show clear lines of accountability for achieving the outcomes and provide clear evidence of how Service Birmingham’s work contributes to the achievement of the City Council’s priorities.

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<td>R01</td>
<td>a) That the mission statement, objectives and principles of the partnership are renewed, to ensure proper account is taken of - Financial challenge; - Council’s changing role and relationships.</td>
<td>Deputy Leader Service Birmingham</td>
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12 Joint Submission to the Governance, Resources and Customer Services O&S Committee, op.cit.
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<td>b) That an operational plan for Service Birmingham is produced to evidence a strategic approach, including how the City Council’s expectations of Service Birmingham as its ICT department will be met, show clear lines of accountability for achieving the outcomes, and state clearly what is included in the core contract costs. This should include a plan for one, three and five years. The Strategic Partnership Board should monitor progress against these plans.</td>
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<td>c) That these are reviewed annually to ensure they remain relevant and aligned with corporate objectives.</td>
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**Closer Working**

6.2.6 The evidence received emphasises that closer working starts with Service Birmingham management being seen to be part of City Council management structures. This would involve Service Birmingham officers attending senior City Council management meetings, including EMT, and agendas reflecting a common agenda (rather than split into “Service Birmingham” and “non-Service Birmingham” items). Nevertheless, there will be times when commercial confidentiality demands that Service Birmingham officers leave the room.

6.2.7 This would then need to filter down so that Service Birmingham is seen as part of the City Council at all levels. This could be evidenced in a number of ways, including better (earlier) involvement of Service Birmingham in directorate plans, so that they can offer ICT solutions, and better (more) use of Service Birmingham / Capita expertise in developing new projects or improvements to service delivery. The aspiration that Service Birmingham acts as the City Council’s “IT department” should also be set out clearly and defined.

6.2.8 One way in which closer working could be achieved would be to emulate the “day in the life” initiative that the One Contact Programme (the programme for bringing the contact centre in-house) is using to enable staff in the contact centre to spend time working in service areas to help understand customer issues. This may be more complex with regards to Service Birmingham, but for those working on projects or on core ICT, getting that greater understanding of how the City Council operated day to day could be invaluable.

6.2.9 Committee members felt it important that the undertakings given by both sides in terms of closer working are given time to bed in. The recommendation therefore is that practical examples of the success of the new approach are brought to Committee as evidence of progress made.
6.2.10 A further check on this would be to have a user group that could review progress and report back to members as to the success (or otherwise) of the partnership “on the front line”. This group should consist of a range of officers (but not senior officers), and partners (e.g. Acivico and/or schools staff). Setting up such a group – which would only need to meet two or three times a year – would provide another means of gathering intelligence on how the partnership is operating on the ground, giving a view of the practical impact that does not stem from those working in ICT. It could be chaired by a councillor to enable member input (Service Birmingham could consider setting up a similar group to explore their viewpoint).

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| R02            | That Service Birmingham are invited and encouraged to attend relevant senior BCC management meetings both at a corporate and directorate level. (It is accepted that there may be occasions when the Council has to exclude SB from meetings due to (for example) commercial confidentiality). | Deputy Leader  
Deputy Leader  
Service Birmingham | November 2015 |
| R03            | That the options for a “day in the life” initiative between Service Birmingham and relevant City Council departments are explored. | Deputy Leader  
Service Birmingham | November 2015 |
| R04            | That examples are brought of a) new projects where Service Birmingham and City Council officers have worked together to deliver a project successfully (and examples where things have not worked so well); b) work where the City Council has utilised Service Birmingham/Capita expertise to further City Council priorities. | Deputy Leader  
Service Birmingham | November 2015 |
| R05            | That a City Council user group is set up to test how things are working in the service areas and feedback experiences, perhaps chaired by a councillor. | Deputy Leader  
Deputy Leader  
Service Birmingham | November 2015 |

**Communication**

6.2.11 From this closer working, greater openness and transparency will follow. However, in addition Committee members identified several areas where communication could be improved, which is also vital to the success of the partnership:
• In general terms, information about the contract, the work undertaken by Service Birmingham and the reasons for decisions as they are taken. Committee members were informed that work was already in progress on this, and that presentations have been made to each of the three political groups and across the different directorates at Directorate ICT Strategy Groups. However, that information needs to filter down to other parts of the City Council. It should also include details of which ICT services are paid for via the Core ICT service charge and those which are subject to an additional charge. This document – which should be updated as necessary – should also be shared;

• Specific issues - where specific issues arise that have an impact on Service Birmingham’s ability to deliver services or projects, this should be communicated. The example given was that of cyber-attacks on the City Council’s systems, that need to be dealt with and may require staff to be taken off other work;

• Costs and charging – this is particularly important given negative perceptions around charging that are evident across the City Council. Information on charging should be supplemented by reports on benchmarking exercises – with explanations of these to give assurances across the City Council that value for money is being achieved. These reports could include reports from the City Council’s “critical friend” where appropriate (see 3.2.17) and explanations of where statutory and regulatory obligations oblige work to be done and costs to be incurred.

6.2.12 Committee members therefore recommend that communications from Service Birmingham are examined and improved, with an emphasis on transparency wherever possible. Trust and confidence depends on transparency of charging to give assurance that costs are reasonable.

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<tr>
<td>R06</td>
<td>Deputy Leader</td>
<td>November 2015</td>
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That communications from Service Birmingham and the City Council to all staff and members are examined and improved, with an emphasis on transparency wherever possible. This should include consideration of:

- Sharing information about the contract (BCC);
- Transparency on costs and charging wherever possible (Service Birmingham and BCC);
- Alerting City Council officers when specific issues arise that have an impact on Service Birmingham’s ability to deliver services or projects (Service Birmingham).
6.3 Measuring Success

6.3.1 Committee members were keen to work with both Service Birmingham and City Council officers to set out what success would look like - how will we know that the relationship is back on track and working as it should? From the discussions, a range of both “hard” and “soft” measures were identified.

6.3.2 The “hard” measures will encompass those milestones and outcomes resulting from the plans mentioned above, as well as existing measures on the functioning of the contract. Further proposals put forward at the Committee meetings included:

- Savings achieved;
- Fewer contractual disputes between the parties;
- External recognition/awards for how the City Council uses ICT to improve services;
- Reporting on project performance so that both sides can evidence good and bad project performance;
- Development of a “Total Contribution schedule” that details all areas where Capita/Service Birmingham have worked with the City Council (including challenging unnecessary spending) or delivered initiatives for the City Council.

6.3.3 The softer measures relate to how people feel about and view the partnership - both about how a particular project has gone/how successful it has been but also the relationship itself. Indicators would include:

- That the sense of partnership and collaborative working is felt at all levels in the relationship - at the senior manager/ICT leads level, Member level and most importantly by those working on projects and receiving and using ICT services;
- There is a change in the use of language: not “us” and “them”;
- Acceptance of synergy and common understanding between Service Birmingham and BCC; sense of partnership working throughout the organisation; that Service Birmingham can bring innovation without the perception that it is just after profit;
- Evidence within the City Council of ownership of ICT and the improvements it can deliver at all levels, alongside a greater understanding of what Service Birmingham can do – with more engaged and capable service managers, and evidence of more positive challenge from Service Birmingham;
- To push boundaries in terms of how we work together – to collectively make the best use of skills available, and understand where there is a genuine commercial issue;
- More informal contact between the City Council and Service Birmingham staff. How often are Service Birmingham staff seen in City Council buildings and officers at Service Birmingham?
• More proactivity from Service Birmingham to highlight things the City Council could do better.

6.3.4 A set of “relationship indicators” could therefore be developed, although practically, measuring these will be more challenging. One option is to use the surveys that Service Birmingham have, with new questions to reflect some of the issues above.

6.3.5 Broadly, the evidence would be of a happier work force; that officers feel they have a better understanding of the contract, the relationship, why decisions are made and that they have greater visibility and control of their ICT landscape. There is a proposal to reintroduce City Council staff surveys, which could incorporate questions to capture this.

6.3.6 A further measure could be around the proactive bring forward of ideas. For Service Birmingham this would be about bringing forward innovative ideas to help the City Council achieve its goals. For the City Council this would be about bringing forward ideas to reduce ICT charges, reduce demand or make savings in other ways.

6.3.7 Working together also involves sharing expertise. At the evidence gathering meeting, an offer was made by Service Birmingham Chief Executive to put on workshops on business cases for City Council staff. This would be another good indication of joint working.

6.3.8 Both sets of measures will ensure that the partnership should be measured against its contribution to achieving the BCC corporate objectives of, for example, how ICT in the Council is benefitting citizens, its contribution to reducing administrative burden for front line staff and providing more and effective manager and staff self-service.

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<tr>
<td>R07</td>
<td>a) That a set of indicators (including relationship indicators) are agreed with Service Birmingham, the City Council and Capita to capture the range of success measures set out above; b) These should form part of the one, three and five year operational plans; c) These should be reported to scrutiny on an annual basis.</td>
<td>Deputy Leader Service Birmingham</td>
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6.4 Achieving the Savings

6.4.1 Committee members received a lot of evidence about the new plans, projects and governance structures now in place to achieve the cost savings proposals. Again, members need to give these time to bed in, and will measure progress via the measures set out above.
6.4.2 However, one idea that members would like to put forward is that the way ICT budgets are allocated is changed. Currently, Corporate Finance allocates a budget to directorates that matches their core ICT charge. This means that if directorates rationalise their ICT or make savings, they do not directly benefit, as the overall allocation is simply reduced. If directorates had control of the ICT budget, and were able to make use of any savings, then there would be more incentive to do so.

6.5 **Maximising the Joint Venture**

6.5.1 Committee members also discussed the joint venture and the selling of services. This was one of the reasons for setting up the joint venture (rather than having a more conventional contractual relationship) but has not occurred beyond school contracts.

6.5.2 However, one of the reasons for framing the partnership as a joint venture was that the business could then sell on its services to other public sector bodies. This should be explored and pursued further.

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<td>R08</td>
<td>That options for Service Birmingham to sell its services more widely are explored and reported back to the Corporate Resources O&amp;S Committee.</td>
<td>Deputy Leader, Service Birmingham</td>
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6.6 **Role of Overview & Scrutiny**

6.6.1 Committee members agreed that the recommendations set out above should be reviewed nine months after the evidence gathering in February.

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<td>R09</td>
<td>Progress towards achievement of these recommendations should be reported to the Corporate Resources Overview and Scrutiny Committee no later than November 2015. Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented. The report back should include a report from the user group.</td>
<td>Deputy Leader</td>
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Appendix 1: Partnership Principles and Value

Principles
The purpose of the Partnership is to bring together and exploit the skills, expertise and resources of both partners to support the delivery of the Partnership Objectives.

1. Allow each party to 'play to its strengths' – jointly contributing the necessary resources to ensure the success of the Partnership;
2. Establish its own unique culture: drawing on and adopting the most beneficial aspects of each party’s existing culture – and rejecting those aspects which get in the way of success;
3. Implement a unified management structure within Service Birmingham with joint representation – operating seamlessly to deliver agreed outcomes;
4. Establish a working environment at every level within Service Birmingham which is non-bureaucratic, customer focused, and which actively encourages professional excellence and service improvement.

Values
The parties shall encourage Service Birmingham, and the individual members of staff working in it, to adopt the following key values:

- Never lose sight of our public service responsibilities
- Deliver what we promise
- Promote team working towards our shared purpose
- Respect our customers, colleagues and partners and welcome diversity and choice
- Create an environment to manage in a consultative and inclusive way
- Be accountable and take responsibility for the work we do
- Encourage and support people to achieve their full potential
- Be open to new challenges, and to
- Enjoy what they do!