

STAFFORDSHIRE COMMISSIONER
Police | Fire and Rescue | Crime

REQUEST FOR DECISION BY THE STAFFORDSHIRE COMMISSIONER

	Policing:	Crime:	Fire & Rescue:
This decision relates to: Termination of the existing contract with Boeing Defence UK for the provision of IT services to Staffordshire Police and the Staffordshire Commissioner.	✓	✓	

APPROVAL (for completion by Staffordshire Commissioner only)

Rationale for approval

STAFFORDSHIRE COMMISSIONER

Signature

Date

18/12/19

Date decision required by: Wednesday 18 December 2019

If an urgent approval is required, please state reasons: Approval is required by this date in order that we can make the announcement within both BDUK and within Staffordshire Police pre-Christmas.

For completion by Staffordshire Commissioner's Office only:-

Decision Number: SCP/D/201920/006

Date Received: 20 December 2019

	Yes	No
Has the required decision been considered under the guidance of the Staffordshire Commissioner's Decision Making Policy?	✓	
Has the required decision been deemed to be a Key Decision as defined within the Staffordshire Commissioner's Decision Making Policy?	✓	
Who is empowered to make the required decision? <u>Staffordshire Commissioner</u>		

Title	Strategic IT Contract with Boeing Defence UK
Summary:	
<p>Boeing Defence UK (BDUK) have been the Strategic IT Partner for Staffordshire Police since April 2016, working under contract to modernise, develop and deliver IT services to Staffordshire Police. The letting of the contract arose following two independent reports that identified the need for significant improvement in IT arrangements in Staffordshire Police at that time and a subsequent business case that concluded that long-term outsourcing of the arrangements was the preferred way forward. It was recognised that Staffordshire Police had neither the capabilities, nor the resources to address the issues that the independent reports identified.</p> <p>Over 50 IT companies expressed an interest in the contract that that was awarded to BDUK following an extensive procurement process that took over 12 months to conclude. The award was based on a Most Economic Advantageous Tender (MEAT) basis, meaning that all cost, qualitative and quantitative factors were taken into account in the evaluation process. The contract is a seven years in length with an option to extend for a further three years, giving a maximum period of ten years.</p> <p>Since the contract commenced, progress has been made by both BDUK and Staffordshire Police in delivering new capabilities and systems and at present both are heavily committed to the implementation of Niche in April 2020, a new core IT platform that replaces twelve existing systems and is the most significant IT change that the force has ever commissioned.</p> <p>Four years on from the start of the contract, all parties have agreed in principle that strategically there is not an appetite to continue the arrangement in its existing form. In essence, BDUK have no strategic intent to develop their offer to UK policing and are focusing on other areas of business, whilst Staffordshire Police will have delivered their primary IT change with the implementation of Niche in April 2020.</p>	

Following an options appraisal and the development of a business case, the recommendation to the Commissioner is that a mutual agreement to terminate the partnership arrangement is progressed. The preferred option transfers all IT services and support to Staffordshire Police in a managed way, with BDUK staff transferring to the force under the Transfer of Undertakings (Protection of Employment) Regulations on 1st July 2020. BDUK will continue to deliver services and work packages, including the delivery of Niche through to this date.

A Settlement Agreement sets out the legal basis and terms of the change that will ensure that each party properly delivers the obligations placed upon it.

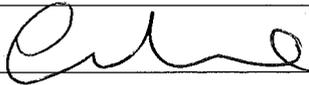
Recommendation:

That the Commissioner approves the mutual termination of the BDUK contract and the transition of service delivery responsibilities for all IT services from 1st July 2020.

Chief Executive

I hereby approve the recommendation for consideration.

Signature



Date

18/12/2019

Decision Note – Strategic IT Contract with Boeing Defence UK

REPORT AND ADVICE TO THE STAFFORDSHIRE COMMISSIONER

1. Introduction and background

In February 2016, the Police and Crime Commissioner in Staffordshire awarded a contract, under public procurement regulations to Boeing Defence UK (BDUK) to become the Strategic IT Partner for Staffordshire Police. The move arose following two independent reports that identified the need for significant improvement in IT arrangements in Staffordshire Police at that time and a subsequent business case that concluded that outsourcing of the arrangements was the preferred way forward. The intent was that winning supplier, BDUK would bring transformational capability to the force, providing cutting edge technology and greater opportunities to work more effectively with partner organisations and local communities.

The decision form published in February 2016 provides further detail on the contractual arrangements that came into operation in April 2016. At the time of letting the contract, this was BDUKs first foray into UK policing, although they had significant contracts with other public sector organisations in the UK. Since the contract commenced, progress has been made by both BDUK and Staffordshire Police in delivering new capabilities and systems and at present, both are heavily committed to the implementation of Niche in April 2020, a new core IT platform that replaces twelve existing systems and is the most significant IT change that the force has ever commissioned.

Following a number of discussions during 2019 about future arrangements and the road map for future IT development, a key strategic meeting held between the Commissioner, Staffordshire Police and BDUK in June 2019 took place to consider ambitions for the partnership and for the organisations themselves. As a result of that meeting and the previous discussions that had taken place, all parties agreed in principle that strategically there was not an appetite to continue with the arrangement in its existing form. In essence, BDUK have no strategic intent to develop their offer to UK policing and are focusing on other areas of business, whilst Staffordshire Police will have delivered their primary IT change with the implementation of Niche in April 2020.

The decision to reconsider having been taken, future alternative options were appraised, as follows: -

1. Remain in contract, with adjustments as required;
2. Outsource to alternative supplier;
3. Insource to Staffordshire Police.

Each of these options has been evaluated within a business case presented to the Staffordshire Commissioner. As a result, the recommendation to the Commissioner is that a mutual agreement to terminate the contract is progressed and that Option 3 be supported as the future IT delivery arrangement. Option 3 could be achieved through termination by way of notice, or through termination by mutual agreement. There are continuity benefits to a change by mutual agreement and this is the proposed way forward.

On the basis that Option 3 is supported, this will result in a transfer of staff under the Transfer of Undertakings (Protection of Employment) Regulations. A People Transition Document sets out how the transition of employees is intended to take place.

A number of documents are attached to this decision form, but cannot be published for commercial confidentiality reasons: -

- Business Case
- Settlement Agreement for signature

- RSM Open Book Audit report
- Exit Plan, which remains in draft, to be agreed with BDUK
- Proposed draft organisational structure
- Implementation project plan
- People Transition document, which remains in draft, to be agreed with BDUK
- Communications Plan

This suite of documents reflects the complex nature of the change that is being recommended. The change will be jointly owned by the Commissioner, Staffordshire Police and BDUK, working together to ensure a smooth transition for the services and the staff group. The Settlement Agreement sets out the legal basis and terms of the change that will ensure that each party properly delivers the obligations placed upon it.

The plan for the full delivery of the Niche core platform has its implementation as April 2020. The transfer of services between BDUK and Staffordshire Police will occur on 1st July 2020.

2. Issues for consideration

The remit of this proposal is to assess the impact of transferring all IT Services and associated support to Staffordshire Police. To undertake a comprehensive analysis of this task, various parallel activities have been undertaken to assess both the impact of such a transition and the likely future requirement to deliver this service in house, ensuring costs are accurately forecasted and any future proposed provision is fit for purpose.

The Force commissioned RSM Ltd. to undertake an open book audit of BDUK's accounts for the programme, assessing both previous performance and forward reach models. This provided a valuable insight into the overall financial performance when undertaking settlement negotiations, and has helped both parties better understand the current financial challenges faced by the partnership.

Consideration has also been made to other comparable force delivery models (both through direct discussion and by benchmarking CIPFA metrics), informing the scope of the organisational structure required to deliver the service in-house.

Key third-party services provided through the current contract, which wouldn't automatically novate smoothly across to the force, such as service desk provision and datacentre hosting, have also been factored into the future proposal such that there would be no degradation or interruption to ongoing running of the service.

Thought has also been made to the novation of existing support contracts or licensing agreements associated with the service, and what this may mean in terms of transition timescales and costs to the force.

Additionally, a number of risks have been taken into account throughout all of the discussions to date. These are outlined within the accompanying business case.

3. What other options have been considered?

In reaching the proposal now being presented, Staffordshire Police have considered a number of alternative options, namely:

1. Remain in contract, with adjustments as required;
2. Outsource to alternative supplier;
3. Insource to Staffordshire Police.

Option 3, which is the preferred option could be achieved through termination by way of notice, or through termination by mutual agreement. There are continuity benefits to a change by mutual agreement and this is

the proposed way forward. Further detail on each of these options is included within the accompanying business case.

4. Consultation and Engagement undertaken

Throughout the preparation of the business case and accompanying documentation, the force has discussed the options extensively with BDUK. Because of the sensitivity of these negotiations, no further consultation or engagement has been undertaken.

If this case as presented is approved by the Commissioner, we will of course engage in appropriate discussion and consultation with the employees who will be affected by the decision, and their recognised Trade Unions and Staff Associations.

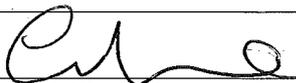
Report Implications

Monitoring Officer Comments:

This programme of work has been progressed with appropriate independent legal and financial advice being procured to ensure that the decision placed before the Commissioner is robust and well-judged.

In making his decision, the Commissioner recognises his legal obligations, particularly in respect of the Police Reform and Social Responsibility Act 2011.

Signature



Date

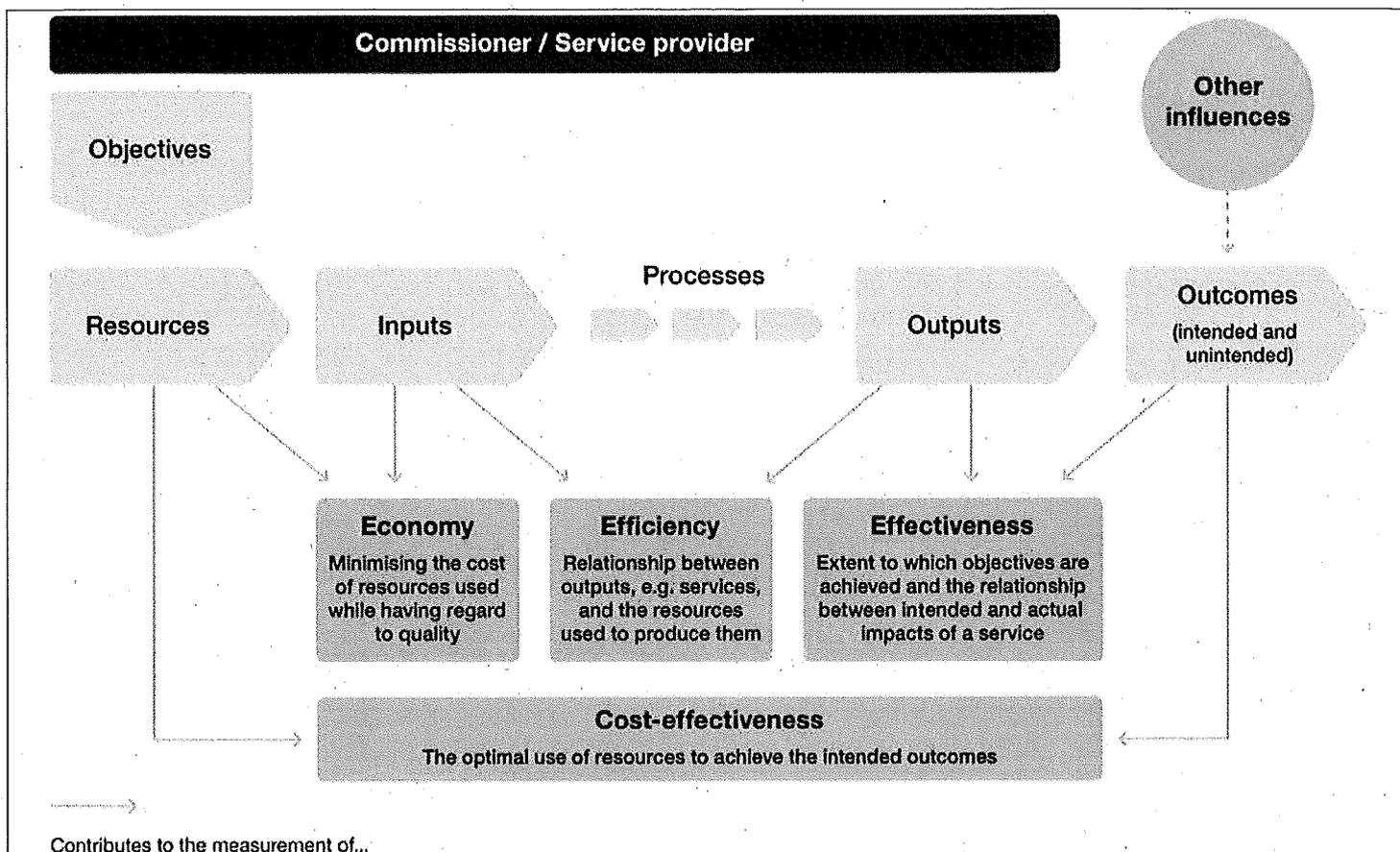
18/12/2018

Section 151 Officer Comments:

These comments are based upon the independent open book audit report undertaken by RSM, the financial modelling undertaken to date, the experience of our current commercial management of the contract and the mutually agreed settlement agreement with Boeing Defence UK (BDUK).

The Commissioner and Chief Constable should note that the financial modelling shows that a decision to 'in source' the service will result in an initial revenue cost pressure of c.3% which will need to be captured as part of the MTFs process, with savings anticipated across capital spend. The financial modelling will continue to be updated as greater clarity on future costs emerges over the transition period in relation to both staffing costs, third party spend and updated inflation assumptions. BDUK currently have declared to Staffordshire Police over 100 contracts which will need to be novated over to Staffordshire Police to support ongoing service delivery. As is normal with contract insourcing the terms and conditions and costs associated with novation are as yet not fully quantifiable, with in depth work required over the coming months as part of the transition plan. However, the decision to insource will give greater control over cost management both across revenue and capital spend, with the potential to reduce core IT revenue spend below the current cost over the medium term. For the basis of our core planning assumptions we have assumed that the savings on capital spend are re-invested back into increasing the amount of capital works undertaken to further bolster Staffordshire Police's digital capacity and capabilities.

In terms of meeting the statutory tests around Value for Money (VFM) in the future as defined by the National Audit Office, namely securing Economy, Effectiveness and Efficiency, the contract looking forwards is only likely to meet these requirements for 'Economy' (based on the continuation of the current contract proving to be a marginally lower unit cost than the 'in sourcing' of the service) but does not provide the optimum level of 'Effectiveness' or 'Efficiency'. The diagram below explains the NAO VFM criteria:



In relation to achieving VFM the 'Other Influences' highlighted in the schematic above have fundamentally changed since the awarding of the contracts. These other influences include the establishment of a national Police IT company, further regionalisation of specialist capabilities, local collaboration and a provider who's business plan does not include further expansion into the blue light IT market.

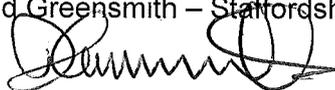
The Commissioner and Chief Constable should note the short term financial risk to ensure a safe landing of the insourced service. Work will be required to bring the commercial management of third party contracts up to the current standards exhibited by the commercial team within Staffordshire Police given the current contracts baseline numbers have been difficult to establish during the due diligence work undertaken. As such the group will add to earmarked reserves during the 2019/20 financial year in addition to those amounts contained within the settlement agreement to cover this risk. Any residual amounts, once transition has been completed, can be used to support the MTFs from 2021/22.

Whilst the service benefits of bringing the service 'in house' are articulated in the business case, the Commissioner and Chief Constable need to be cognisant, as with any programme of change, that performance may reduce in the short term before establishing a new performance level in excess of what is currently received. The impact of this will need managing carefully both in the transition phase up to the 1st July and in the immediate months after the transition date.

Signature

John Bloomer – Staffordshire Police CFO (Section 151 Officer)

Date: 18/12/2019



	Yes	No
Has legal advice (outside of that provided by the Monitoring Officer) been sought on the content of this report?	✓	
<p>Legal Comments:</p> <p>Appropriate specialist legal support has been obtained from Pinsent Masons who acting for the Commissioner in the negotiations to enter into the agreement with Boeing. This has been supported by the Joint Legal Services Department that services West Midlands Police and Staffordshire Police.</p> <p>The Commissioner is required under Section 1 (6) of the Police Reform and Social Responsibility Act 2011 to secure the maintenance of the police force and ensure that the police force is efficient and effective. The Commissioner may enter into legal agreements in accordance with Schedule 1 para 14 of that Act for the purpose of exercising those functions.</p> <p>All contracts and agreements must be executed in accordance with the Commissioners Scheme of Consent and Delegations.</p>		
<p>5. Equality Comments</p> <p>There are no direct equality implications in respect of this proposal. However, throughout the staff consultation process, the necessary equality impact assessments will take place and all appropriate steps to address any areas of adverse impact on under-represented groups will be implemented.</p>		
<p>6. Background/supporting paper</p> <ul style="list-style-type: none"> • Settlement Agreement for signature • RSM Open Book Audit report • Exit Plan, which remains in draft, to be agreed with BDUK • Proposed draft organisational structure • Implementation project plan • People Transition document, which remains in draft, to be agreed with BDUK • Communications Plan 		
<p>7. Public access to information</p> <p>All commercially confidential information will not be published.</p>		
<p>8. Is the publication of this form to be deferred?</p> <p>Publication to be deferred until after the internal and external announcements have been made.</p>		
<p>9. If the report is for publication, is redaction required?</p>		
	Yes	No
Of the Decision Note?		✓
Of the Appendix?	N/A	N/A

ORIGINATING OFFICER DECLARATION:

Author	Justine Kenny, Director of People & Resources, Staffordshire Police
Signed	
Date	18 December 2019

