2.6 Benchmarking

Negotiation point	6	Title	Benchmarking
Brief description	Regular benchmarking is a key tool for ensuring that LCC gets value for money from its joint venture arrangement with BT. The Council needs to ensure that LDL senior management are sufficiently transparent and are willing to comply with the written agreement between the partners (i.e. the Contract) in producing routine benchmarking information.		
Links to other negotiating points	None		
Value for Money Risk indicator (High/Medium/Low)	High	Relationship Risk indicator (High/Medium/Low)	High

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

There are two aspects to benchmarking as follows:

Production of routine Continuous Benchmarking information

As per clause 5(vi) of Schedule 22 to the SPA the outcome of Continuous Benchmarking shall be the production of quarterly monitoring information and an annual Continuous Benchmarking report detailing the financial and service performance of the Services that shall be considered by the Contract Manager and the Project Director. The Contract stipulates that benchmarking information is provided to the Project Director supporting the Annual Review process and service improvement planning in a timely fashion and that its content must be acceptable to the Council to enable it to benchmark with others including 'best in class'.

To date the only instance of the production of Continuous Benchmarking by LDL was the production of a 2008/09 benchmarking report which was received at too late a date to be considered as part of Annual Review. The information contained within was unsuitable for the purposes of benchmarking with others. The structure and contents would need to be developed and agreed in consultation with the Council to ensure future reports are fit for purpose.

Joint catalogue benchmarking

LCC internal catalogue benchmarking has suggested that desktop and laptop catalogue prices are marked up by between 93% and 149% in comparison with alternative suppliers. In light of this LDL should be challenged and encouraged to discuss the cost components of catalogue items and the associated LDL profit margins.

The Council might wish to seek:

- An acceptance by LDL that routine Continuous Benchmarking information will be produced for consideration by the Council and that the annual Continuous Benchmarking report will become an integral part of the Annual Review process as the Contract stipulates;

- The routine form and content of the Continuous Benchmarking reports must be agreed with the Council; and
- LDL must be transparent in how their catalogue prices are arrived at demonstrating a consistent profit margin as they are simply acting as an agent for purchases.

2.7 In-scope and out-of-scope

Negotiation point	7	Title	In-scope and Out-of-scope		
Brief description	It is the review team's opinion that there are a number of out of scope charges being levied by LDL for in-scope activities. The Council should seek clarification on what is in/out of scope in areas of concern. Certain areas will be underpinned by the Contract where LDL is simply failing to meet explicit contractual obligations. Other areas will reflect service delivery that is implicit within the clauses of the Contract.				
Links to other negotiating points	1. Annual cost reduction. 2. Historical overcharging 10. Shared capacity and resource planning				
Value for Money Risk indicator (High/Medium/Low)		High	Relationship Risk indicator (High/Medium/Low)		High

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

During the course of the review, instances of out of scope charging for in-scope activities were identified. The activities were both implicit to and explicitly stated within the Contract. The instances identified as part of the review are merely a snapshot of the unsatisfactory nature of LDL charging decisions and do not necessarily represent all instances. Specific examples are as follows:

Learning and Development

- The Contract clearly states (specifically in the HR&P schedule to the SPA) that the Contractor shall provide the following outputs to the authority:
    - 2.1.3.4 – Design, deliver and evaluate training and learning solutions at the request of the Authority Line Managers ('an employee of the Authority responsible for the management of other Authority's employees')
    - 2.1.3.5 – Procure training and learning solutions from external training providers at the request of the Authority Line Managers on an agreed basis.

LDL does not deliver training and learning solutions nor does it procure training and learning solutions from external training providers on an agreed basis. All delivery of training whether provided internally or via external suppliers is charged as out of scope. It would be reasonable to expect that the capacity within LCC to provide and procure the delivery of training within budget prior to service take-on would form the 'agreed basis' for an amount of in-scope service delivery.

Change capacity

There are a series of activities in relation to change performed by ICT secondees for which the Council should expect a credit of days to be drawn down before such activities are considered out of scope. The rationale being that it would only be reasonable to charge for such change activities once the inherent capacity of the change staff had been used up since they were doing such activities as part of their day-to-day work prior to Contract start.

A satisfactory outcome would be for BT/LDL to agree to finite amounts of in-scope service delivery in respect of the areas above.

Note: '1. Annual cost reduction' assumes that the charging regime continues as is. The two negotiation items are not therefore mutually exclusive.

2.8 Service Improvement Plans/Operational Plans

Negotiation point	8	Title	Service Improvement Plans/Operational Plans		
Brief description	As part of the corporate planning framework, LCC should input in to LDL produced Service Improvement Plans and Operational Plans reflecting Council priorities. Currently, there is little consideration of Council priorities in the development of these documents. In addition, the absence of a link between the Council's capital strategy and BT investment is to the detriment of the satisfaction of Council priorities.				
Links to other negotiating points	3. Investment 4. Transparency on future investment 5. Effective relationship governance				
Value for Money Risk indicator (High/Medium/Low)		Medium	Relationship Risk indicator (High/Medium/Low)		High

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

The Contract requires the Contractor to develop annual Service Improvement Plans with Council input that are built into the Operational Plans for the forthcoming financial year as part of the Annual Review process. These plans must be developed by the Contractor in conjunction with the relevant Client Officer reflecting Council priorities.

The final Service Improvement Plans and Operational Plans should be agreed and signed off by the relevant Client Officer/Project Director before the end of March each year in sync with the Council's corporate planning framework. Progress against the Service deliverables included in the plans should be monitored by the relevant Client Officer so as to inform EMT of the overall progress against its priorities.

2.9 Effective SLA's

Negotiation point	9	Title	Effective SLA's
Brief description	This underpins the LDL relationship. Any activity that can't be measured can't be managed, it is integral to much of what the council is trying to do. Without revised SLA's the council is likely to struggle to meet its objectives and realise its vision.		
Links to other negotiating points	This is integral to much of what the council is trying to do, and links directly to points 2.5, 2.6, and 2.14		
Value for Money Risk indicator (High/Medium/Low)	High	Relationship Risk indicator (High/Medium/Low)	Medium

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

The service levels have not been reviewed since 2006, the client team consider them to be outdated and with some no longer being appropriate. A review is needed across all LDL service lines in consultation with Council management to reflect current priorities.

The review will need to consider the appropriateness of current service levels and also determine if there is a requirement to measure additional service levels, as well as defining the required targets for each of these.

A key Client officer concern is that they currently lack transparency regarding LDL activity, with the required SLA's and reporting in place they can be more assured of overall performance.

Inevitably improved SLA's may attract increased contract costs. As part of a negotiation the Council would need to balance out costs against actual requirements and budget availability. A satisfactory outcome will be measured by the belief that service levels are sufficient and appropriate, and that the LDL service lines are offering value for money.

In addition the Quality of Service reports should by definition reflect the revised SLAs.

2.10 Shared capacity and resource planning

Negotiation point	10	Title	**Shared capacity and resource planning**
Brief description	Without the ability to develop a shared understanding and plan on future capacity and resourcing the ability of the council to plan and deliver is compromised.		
Links to other negotiating points	This links directly to points 2.5 (governance) and 2.7 (in and out of scope)		
Value for Money Risk indicator (High/Medium/Low)	**High**	Relationship Risk indicator (High/Medium/Low)	**Medium**

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

Currently the Council has limited understanding of what LDL are working on at any given time. Similarly there is little understanding of available LDL capacity to undertake projects or required tasks. As part of a revised governance structure the council needs this visibility.

Also the Council needs to understand what is likely to be outside the capacity of LDL and therefore that which needs to be additionally funded. Prioritisation of in-scope activity will determine how much will be undertaken as part of the base Contract cost, and produce an understanding of capacity compared to overall requirements.

This will be an important component of an improved governance structure. Success will be apparent through transparency on capacity and prioritised work schedules, this will be achieved through both dialogue and reporting. In addition actual performance and delivery should reflect this.

It would be expected that the client officer's regular monthly meetings with LDL would include a regular discussion covering available capacity and agreement on priorities. Also the PMO will need a similar dialogue with LDL when agreeing project prioritisation and reviewing progress.

2.11 Effective application of the Secondment agreement

Negotiation point	11	Title	**Effective application of the Secondment agreement within LDL**
Brief description	Currently, the Secondment agreement is not being wholly followed. Such a failure to follow the agreement puts both the Council and the secondees at risk. This must be remedied to ensure the secondees are protected.		
Links to other negotiating points	None.		
Value for Money Risk indicator (High/Medium/Low)	**High**	Relationship Risk indicator (High/Medium/Low)	**High**

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

Currently, LDL manages the LCC secondees without reference to the Council. The Council should negotiate for the seconded individuals to be managed as the Contract and the Secondment Agreement intend. Otherwise, this exposes the Council to continued avoidable risk.

The Council requires that LDL follows the Contract/Secondment Agreement including:

- The provision of notification of action against seconded employees to the Council;
- All vacancies within LDL must be reported to the Council and in instances where the vacancy has arisen due to a secondee terminating their secondment that individual will be subject to the Council's redeployment policy;
- All secondees should be made aware that if the Authority is unable to identify a suitable redeployment opportunity they will risk dismissal;
- In the event that LDL wishes to terminate a Secondment, the Contract/Secondment Agreement must be followed.
- As per the Contract/Secondment Agreement, the Council retains responsibility for all decisions to amend a secondee's contract of employment;
- Access to the Agreed Establishment must be provided by LDL;
- As per the Contract/Secondment Agreement, LDL must provide its resourcing plans.

2.12 Accurate maintenance of the Asset Register

Negotiation point	12	Title	**Accurate maintenance of the Asset Register**
Brief description	Accurate support costs are dependent on a clear understanding of the overall ICT estate. Also effective utilisation of assets is dependent on an accurate asset register. Currently the lack of knowledge about the estate results in unnecessary purchases which in turn increase the support costs.		
Links to other negotiating points	This links to a reassessment of support costs which the Council believes are currently too high. It also links to the requirement for improved governance.		
Value for Money Risk indicator (High/Medium/Low)	**High**	Relationship Risk indicator (High/Medium/Low)	**Medium**

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

This is a fundamental part of ICT management for any corporate entity. Quite apart from representing best practice it is an essential control mechanism. An audit of the estate was undertaken during the first half of 2009 but this is recognised as being incomplete and inaccurate. Also the processes for maintaining the register have been absent or ineffective, these have been redeveloped and are now being implemented. Agreement is needed from LDL that the Affordability Model adjusted for change reflects the current Asset Register. The review has identified a material disparity between the Asset Register and the related Affordability Model adjusted for change charge. It is believed that support charges for PCs, scanners and printers are in the region of £1m a year too high.

Both the Council and LDL are guilty of moving and disposing of assets without due regard to process and maintenance of the register. There will need to be ongoing monitoring and frequent audits to keep the register accurate. The Council should also be able to reconcile support costs against the register. Spot checks should be able to demonstrate overall accuracy.

Revised processes will need to be in place and regularly monitored to cover joiners and leavers, staff moves to different locations, reallocation of assets to different users, and disposals. Both LCC and LDL will need to adhere to these processes if the integrity of the asset register is to be maintained.

As the last audit was incomplete, a fresh audit should be undertaken which covers all premises including opted-in schools. It should be noted that it is LDL who have responsibility for Asset Register maintenance.

2.13 Operational Procedures

Negotiation point	13	Title	**Operational Procedures**
Brief description	Our understanding is that LDL does not currently have documented Operating Procedures (this follows numerous requests for confirmation to LDL). Operating Procedures are critical to any business operation and without this there is a significant operational risk to LCC.		
Links to other negotiating points	None		
Value for Money Risk indicator (High/Medium/Low)	**Medium**	Relationship Risk indicator (High/Medium/Low)	**Medium**

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

LDL has provided LCC with copies of the Contract Services Manual and 2009/10 Operational Plans but these do not contain documented Operating Procedures.

When we refer to Operating Procedures we are referring to documentation on the following aspects of the overall LDL operation:

- Key procedures in place that support all of the service functions
- Key processes that are followed
- Key systems utilised in the support of the processes
- Key dependencies
- Key controls
- Communication flows
- Issue resolution and escalation

Having this documented is obviously standard business practice as it ensures operational clarity, provides a reference point for all staff (particularly any new or temporary staff) and provides a layer of resilience to the overall operation.

The contract refers to this specifically in paragraph 3.2 of schedule 9 which states "Operational Procedures Manual shall act as the definitive document for day to day procedures and practices".

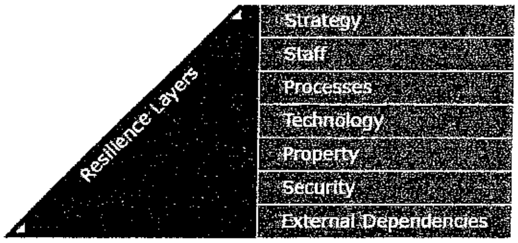
LDL needs to provide evidence of the existence of documented operating procedures or need to put these in place as soon as possible. Without these there is a significant operational and resilience risk to LCC.

2.14 Business Continuity Plans

Negotiation point	14	Title	**Business Continuity Plans**
Brief description	During the review we have requested an understanding of the Business Continuity arrangements within LDL. We would expect that a Business Continuity Plan exists within LDL to highlight their contingency arrangements if any business interruptions occur. This has been requested on many occasions but nothing received. More recently we received a proposal template from LDL for a Business Continuity plan which suggests an absence of a plan overall which is an issue for LCC as this presents a significant operational risk.		
Links to other negotiating points	None		
Value for Money Risk indicator (High/Medium/Low)	**Medium**	Relationship Risk indicator (High/Medium/Low)	**Medium**

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

LDL needs to clearly articulate to LCC what their contingency arrangements are which is normally defined within a Business Continuity Plan. This plan needs to have considered and addressed the following layers of the overall LDL operation:



(diagram courtesy of Resilience One)

A copy of the LDL Business Continuity Plan has been requested from LDL on a number of occasions. More recently we received a proposal template from LDL for a Business Continuity plan which suggests an absence of a plan overall which is an issue for LCC as this presents a significant operational risk.

We hope that the planning and thinking around contingency has been carried out but would need to see evidence of this and to discuss this with LDL. In the absence of such a plan we would need LDL to develop this as soon as possible for the reasons previously stated. LCC are also reviewing and refining their framework Business Continuity Plan and will need to work with the output of this with LDL so that the LDL plans are aligned with the LCC corporate framework.

2.15 LDL management support

Negotiation point	15	Title	**LDL management support**		
Brief description	The principle foundation for resolving the current issues with BT/LDL has to be an appetite within BT & LDL to resolve the issues highlighted along with LCC. The BT and LCC partnership was, and should still be, a significant opportunity for both parties and therefore there is a significant stake and reason for both parties to reach suitable compromises.				
Links to other negotiating points	All				
Value for Money Risk indicator (High/Medium/Low)		**High**	Relationship Risk indicator (High/Medium/Low)		**High**

Key: Value for Money Risk - Indicates the risk of not getting value-for-money (based upon the analysis carried out)
Relationship Risk - If no compromise is reached with LDL/BT, this indicates the risk to the relationship

The current culture between the Client (LCC) and the Contractor (LDL) is one of a lack of transparency (covered by another point) and a lack of trust and confidence. This needs to fundamentally change to provide the right footing for resolving all current and future issues and needs to be led by both partners as part of this overall package of discussion/negotiation points.

Both parties will need to provide leadership across all areas of LCC and LDL and the overall relationship by re-introducing a culture of partnership, transparency and trust.

7 In Summary

The intention of this document is to identify the key issues that Liverpool City Council should seek to resolve. Whilst such discussions/negotiations should consider retrospective issues, it is of critical importance that they also resolve potential issues for the future. This will then ensure an effective platform for the partnership for the future.

We have included a number of areas for discussion and negotiation. They are not all mutually exclusive and hence we propose that the items are discussed collectively and not in isolation.

There is an interrelationship between a number of the issues and therefore negotiating a resolution at the aggregate level will be critical. For example, LCC could theoretically negotiate an ongoing reduction of £10m in relation to the base Contract cost but if good governance is not applied out of scope charging could grow negating the base Contract cost reduction. Therefore negotiations/discussions must be across all of the key points raised which will ensure that the outcome is balanced and a good compromise reached for both parties.

One of the latter discussion/negotiating points highlighted is LDL management support. This is a key point and a priority for discussions. The culture of 'partnership working' that we understand operated in the earlier years of the Contract needs to be re-established. This will then ensure that the agreed actions are implemented and this would also contribute to a foundation for improved future partnership working that is beneficial to both LCC and BT/LDL.

LDL Review Team – June 2010

END OF DOCUMENT