

Notice of Non-key Executive Decision

Subject Heading:	ITSM Upgrade – Project Closure
Decision Maker:	Kathy Freeman
Cabinet Member:	Councillor Paul Middleton
SLT Lead:	Kathy Freeman
Report Author and contact details:	Ian Webb Ian.Webb@onesource.co.uk 01708 433269
Policy context:	'Connections: Using technology to improve the way we live' objective of the Corporate Plan.
Financial summary:	<p>The contract for the new ITSM solution was originally going to cost a total of £289,960 over a 5-year contract, funded by IT.</p> <p>3 years of the contract remain (£47,250 x 3 = £141,750) but a settlement figure of £130,815 has been negotiated if the Council pay off the remainder of the contract in 24/25 (a reduction of £10,935 from the total contact cost).</p> <p>This will create an in-year pressure on the one source shared budget for the 24/25 financial year but will avoid the complication of paying for the final year of the contract (26/27) when the one source shared budget no longer exists.</p>
Relevant Overview & Scrutiny Sub Committee:	Overview and Scrutiny Board
Is this decision exempt from being called-in?	Yes. The decision will be exempt from call in as it is a non-key decision.

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The subject matter of this report deals with the following Council Objectives

- People - Things that matter for residents
- Place - A great place to live, work and enjoy
- Resources - A well run Council that delivers for People and Place.

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

To agree to formally close the project to implement the Alemba Service Manager (ASM) IT Service Management solution without going live and to pay the settlement figure of £130,815 (3 years' remaining costs) in 24/25 to terminate the contract with Alemba Limited before the expiry of its term.

AUTHORITY UNDER WHICH DECISION IS MADE

3.3.3

4.2 To award all contracts with a total contract value of below £1,000,000 other than contracts covered by Contract Procedure Rule 16.3.

STATEMENT OF THE REASONS FOR THE DECISION

- one source IT operate a shared IT Service on behalf of the London Boroughs of Havering and Newham. Like many IT Services, one source IT require an IT Service Management system to enable effective management, tracking of performance, and service improvement. In 2022 a procurement was undertaken to replace the existing system, with the Alemba Service Manager (ASM) IT Service Management system provided by Alemba Limited being selected as the preferred solution.
- The needs of the one source IT service have changed significantly since the IT Service Management system was procured under previous leadership, prior to the decision to split and return the management of IT services to the two individual Boroughs.
- The system has been discovered to be complex, requiring specialist knowledge and a significant investment in time to configure well, meaning that it is challenging to derive value at pace. This is particularly important due to the relatively short remaining lifespan of the one source IT Service due to the decision to split and return IT services back to the Boroughs.
- The system also does not meet our updated standards and relies on several technologies that are now considered legacy as we begin to modernise the Councils' IT services in readiness to return them to the Boroughs. Implementation now would add further complexity and increase the volume of work needed to disaggregate the one source IT Service.
- Very little of the system is predefined or packaged in such a way that it can be deployed quickly and adopted, requiring a lengthy and intensive design phase that requires decisions to be made about how the system will be used with very limited opportunity for that to be easily revisited due to the complexity. The vendor is unable to support an iterative approach to implementation that may help mitigate this, requiring officers to complete detailed design documentation before assigning one of their consultants to deliver a package of work.
- We do not have a production ready version of the system and adopting the system as currently configured requires a level of compromise to working

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practices that is not acceptable to the one source IT staff group or management, as it would likely be detrimental to the performance of the service and place staff under increased pressure.

- Continuing to invest time in attempting to implement and manage the product is considered less favourable than electing to terminate the contract early and paying the negotiated settlement figure to the vendor.

OTHER OPTIONS CONSIDERED AND REJECTED

1. Continue with the implementation

- The work needed to ready the new IT Service Management system for use has not been comprehensively assessed, although it is believed this would be significant and is unlikely to be achieved within the next 6 months based on the work undertaken to date.
- The system adds complexity to the work being undertaken to split and return IT services to the Boroughs due to its reliance on legacy technologies and non-adherence to modern standards, which will likely increase the cost and time needed to deliver this key strategic priority.
- Reworking the implementation to fit with the split and return activity will lengthen the time needed to prepare the system for use and will require further investment with the vendor.
- There is limited confidence that the investment of officer time and additional funds will merit the value to be derived from implementation of the system before IT services are returned to the direct management of the Boroughs.

PRE-DECISION CONSULTATION

This decision does not impact residents and does not require consultation.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Ian Webb

Designation: IT Project Manager

Signature: Ian Webb

Date: 12/07/2024

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Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

The Council has an existing contract and is making a decision to terminate the contract before the expiry of its term. The Council has the power to terminate the contract through section 111 of the Local Government Act 1972, which allows the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions, or through its general power of competence in section 1 of the Localism Act 2011 to do anything that individuals generally may do. There are limitations on the general power of competence, but the limitations do not apply to this decision. Therefore, the Council can terminate the contract.

FINANCIAL IMPLICATIONS AND RISKS

The original costs for the Alemba ITSM contract were as follows:

Cost	Year 1 (22/23)	Year 2 (23/24)	Year 3 (24/25)	Year 4 (25/26)	Year 5 (26/27)	Total
Implementation	£53,710	£0	£0	£0	£0	£53,710
Annual Licence	£47,250	£47,250	£47,250	£47,250	£47,250	£236,250
Total	£100,960 (PAID)	£47,250 (PAID)	£47,250	£47,250	£47,250	£289,960

Years 1 and 2 have already been paid which leaves an outstanding liability of £141,750 (£47,250 annual license x 3 years). The proposal, as agreed with Alemba, is to pay the remaining 3 years of software rental as a one-off, discounted settlement figure to the value of £130,815 (a reduction of £10,935 from the total contact cost).

This will create an in-year pressure on the one source shared budget for the 24/25 financial year but will avoid the complication of paying for the final year of the contract (26/27) when the one source shared budget no longer exists as demonstrated below:

- Year 3 payment due June 2024 (24/25 financial year – budget still shared)
- Year 4 payment due June 2025 (25/26 financial year – budget still shared)
- Year 5 payment due June 2026 (26/27 financial year – budget no longer shared)

This cost will be shared 48%/52% between Havering and Newham as part of the cost sharing model.

It is acknowledged that nearly all of the £279,025 payable to Alemba will be sunk costs which is not ideal at a time when both Councils face extreme financial difficulty. However, the contract was procured prior to the split of IT from oneSource (due to complete by December 2025) being agreed:

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- The technological disaggregation is predicated on modernising each Borough's IT environments which puts it at odds with Alemba's reliance on legacy technologies; and
- Furthermore, Alemba is complex to implement; the return on investment of time and effort required to implement the system would have been more favourable were the service to use the system beyond December 2025.

As a result, IT have determined that it does not make sense to continue investing time and effort into implementation of the system.

The project has delivered some value in respect to the process reviews that were carried out for the core IT processes (Incident Management, Service Request Fulfilment, IT Orders, Change Management, etc.). This included the identification of efficiencies that could be made to current processes that would align them to new IT Services structures. The groundwork of business analysis undertaken will help inform decisions on the solution that ultimately replaces Service Manager.

Service Manager will continue to be used in the interim. There is no cost directly associated with Service Manager because the right to use the product is included under the umbrella of the Microsoft Core Infrastructure Server Suite licensing.

Termination of this contract allows each Borough to take its own view as to the most appropriate IT Service Management tool once IT is returned to sovereign control.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

The recommendations made in this report do not give rise to any identifiable HR implications or risks that would affect either the Council or its workforce.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the

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Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

The recommendations made in this report do not give rise to any identifiable environmental and climate change implications or risks.

BACKGROUND PAPERS

None

APPENDICES

None

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Details of decision maker

Signed



Name: Kathy Freeman, Strategic Director of Resources

Cabinet Portfolio held: Cllr Middleton
CMT Member title: Corporate Resources Director
Head of Service title N/A
Other manager title: N/A

Date: 14/11/2024

Lodging this notice

The signed decision notice must be delivered to Committee Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____