



In-house ICT provision at Merseyside Fire and Rescue Service

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Introduction

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This document presents our “First pass” at costing an in-house delivery model for the ICT services currently delivered by the incumbent service delivery supplier, telent.

MF&RS and telent have worked together for almost 15 years and there is a great deal of business value invested by both parties during this period, and which could be regarded as balance sheet “Goodwill” were the relationship be regarded in a more conventional business context.

The “Goodwill” value includes the development of a mature ICT delivery capability across the broad range of functions encapsulated in the service catalogue and which are essential to MF&RS being able to fulfil its duties in relation to public safety.

If MF&RS were to break its relationship with telent and bring services in-house, the value of the “Goodwill” would be diminished and the future value of the “Goodwill” would be dependent on the resources and expertise which transferred to MF&RS under TUPE, but in any event MF&RS would lose access to telent’s “Back-office resources” which would not be transferable under TUPE.

Executive Summary

Executive summary

For the past 15 years MF&RS and its outsourced ICT service provider have made substantial investments in developing a stable, responsive and robust ICT services portfolio which supports MF&RS's core public safety and protection obligations.

We have calculated that the five-year cost of delivering "Day-One" services in-house on a like-for-like basis to those delivered by the incumbent service provider will be approximately £9.602m equating to an amortised profile of £1.920m per year excluding any financing costs.

For MF&RS to guarantee the delivery of Day-One services at the required level of performance and maturity, without the assurance that the capabilities of the current service provider will be replicated by in-house delivery, MF&RS faces the risk of catastrophic service failure which would impact its ability to perform its core public safety duties.

To mitigate this risk, should the ICT service be brought in-house, MF&RS would need to invest in a contingency contract with an established emergency services ICT specialist. This would be at a substantial cost as detailed later in this report.

Our recommendation

When deciding on a recommended course of action we generally take three factors into account: cost; benefit and risk. In relation to the best way forward from MF&RS we summarise our views on each of these three areas as follows:

Cost – The work we have completed in association with MF&RS suggests that there is a cost disadvantage in bringing the service –in-house and that there are no financial benefits during the next five years of so-doing.

Benefit – We have identified that a significant amount of goodwill in the relationship has been generated since 2001 and that process maturity has been enhanced significantly. We believe that bringing the service in-house would erode this goodwill and set MF&RS backwards in its process maturity capability. We can identify no material benefits from returning the ICT service to in-house provision.

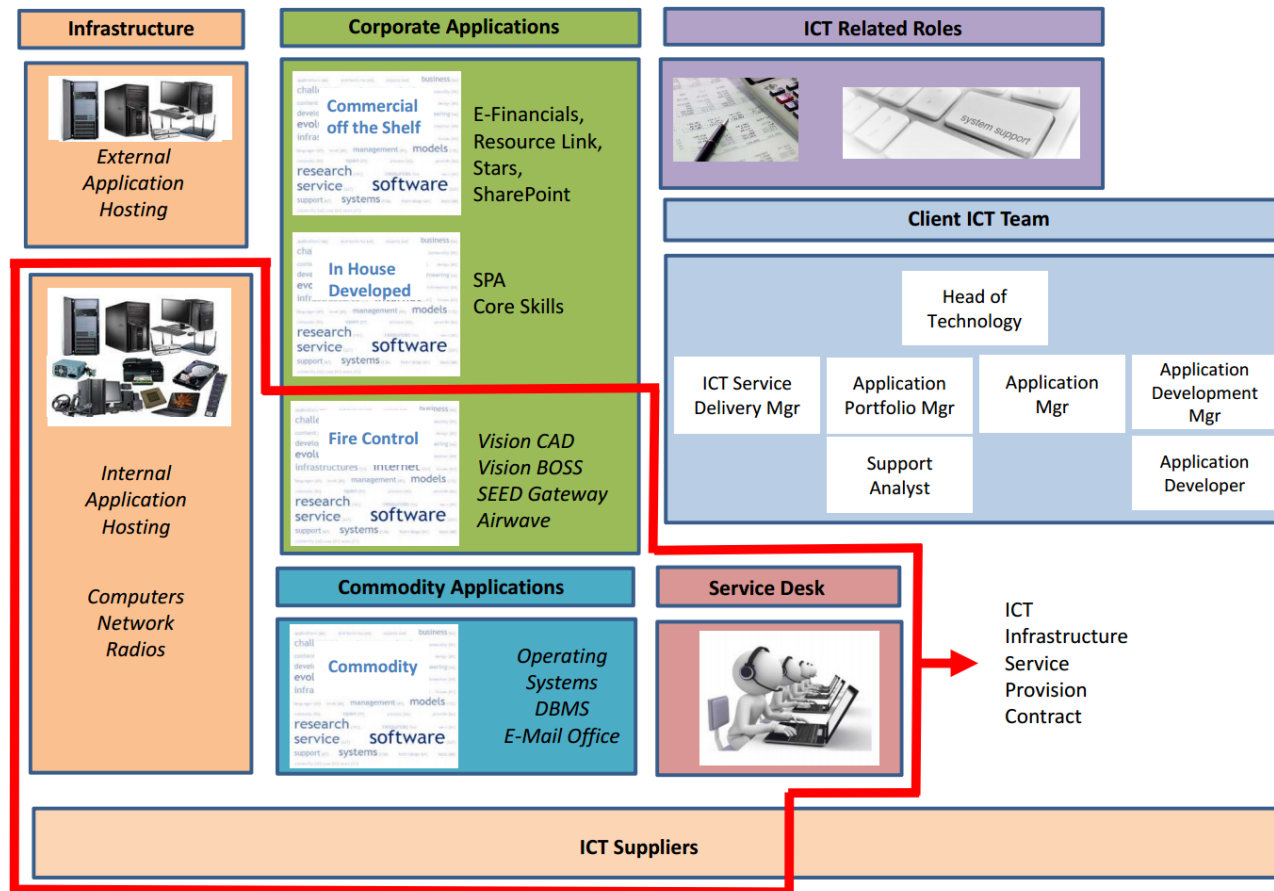
Risk – We have identified that returning the service in-house would generate significant risks and endanger the ability of MF&RS to fulfil its public safety obligations primarily as a result of the potential inability to properly manage the complex emergency services ICT infrastructure were the service to be returned in-house.

We recommend strongly that MF&RS continues to outsource its ICT service.

Day-One Services

Service scope

MF&RS has provided the following diagram of the Day-One service scope:



The Day-One services required in the next contract are defined within the “Red Lines” of the diagram on the left.

Service catalogue

The Catalogue items required in the service are shown below:

Fire Control Infrastructure	Administration ICT Infrastructure	Community ICT Infrastructure	Managed Networks	Managed Servers	Managed Devices	Service Desk	Supporting Services	Supporting Standards
CAD (Vision FX) FX	Email	Heritage Centre	WAN	Hardware	Hardware	Incident Management	QEH&S	ISO9001
MIS (Vision FX) BOSS	Microsoft Office	Toxteth FireFit Hub	LANS	Virtualisation	Image Build Library	Problem Management	Contract Services Management	ISO27001
ICCS	Internet Provision	Fire Service Network	Firewall	Software Install	Software Install	Configuration Management	Data Centre Management	ITIL
Emergency Telephony	Anti Virus	Princes Trust	Network Management	Access Rights Management	Security	Change Management	Disaster Recovery and Business Continuity	Prince 2
Wide Area Radio Airwave	IP Telephony	Sports and Social		Backup & Restore	Preventive Maintenance	Release Management	Capacity Planning	
Turn Out System	Public WiFi	Union Learning Centres		Security		Supplier Management	Asset Life Cycle Management	
Mobile Data Terminals	Conference Technology			Remote Access		Customer Satisfaction	Service Wraps	
WiFi	LLAR House Technology			Preventative Maintenance		Request Fulfilment	In Scope of Contract Consultancy	
AVLS	Access Control			Application Hosting		Reporting	Continuous Service Improvement	
Electronic Risk Data Capture	SQL					Procurement Services		
Incident Ground Radio	Secure IL2 Data Network					Logistic services		
Incident Management Unit						Service Management Application		
Secure C&C Network								

This service catalogue represents the broad range of specialist ICT expertise required to support MF&RS's strategic and operational objectives in relation to meeting its core public safety obligations

Service volumetrics

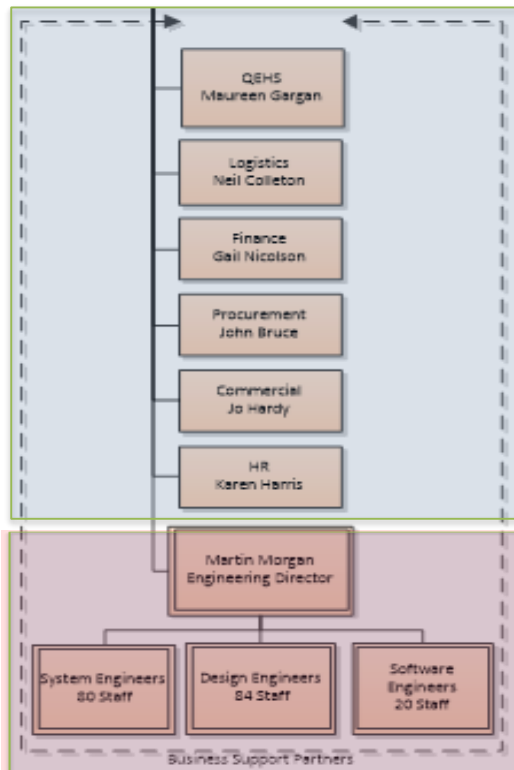
Examples of key volumetrics are provided below:

DS3000 ICCS Server	1
DS3000 ICCS Client	20
DS3000 ICCS touchscreen	20
Fire Control Headsets	40
Mobile Data terminals	99
Mobile Data Terminal touchscreen	98
Appliance printers	85
Airwave mobile radio SAN A	115
Airwave SAN J Radio	65
Airwave SAN B Radio	11
Domain Accounts	1855
Physical Servers	85
Virtual Servers	79
Desktops	602
Laptops	278
Tough Books	60
Brother Printers	2
Konica Minolta Multi-Function Devices	60
Mitel IP Sets	700
Mobile Phones	470
USB Encrypted USB devices	150
Smart Boards	32
Remote Access Tokens	100

Current service delivery – Added Value From Shared Services

Business support

Which services are provided from telent's internal Business Support Partners, and what would they cost to either employ or procure? Current service provision consists of both resources dedicated to MF&RS and "shared services" from telent's wider resource pool. In this section of the presentation we use our experience to estimate the volume and cost of the "shared services" component.



Key assumption:

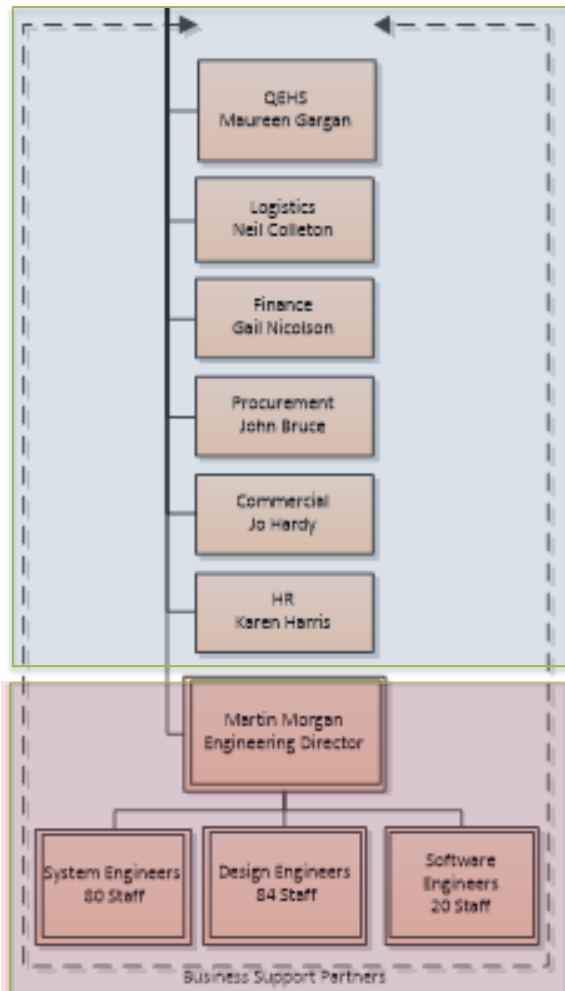
Some of the services on the left can be absorbed into, and provided by, existing internal MF&RS resources, at no extra cost. The exceptions are HR (recruitment) and procurement in relation to service take-on and on-going delivery.

Key assumption:

All of the services on the left cannot be absorbed into, and provided by existing and "Day-One" structure of MF&RS resources.

Business support cont

Which services are provided from telent's internal Business Support Partners, and what would they cost annually to either employ or procure?



**Take-on £60k
BAU £60k (a)**

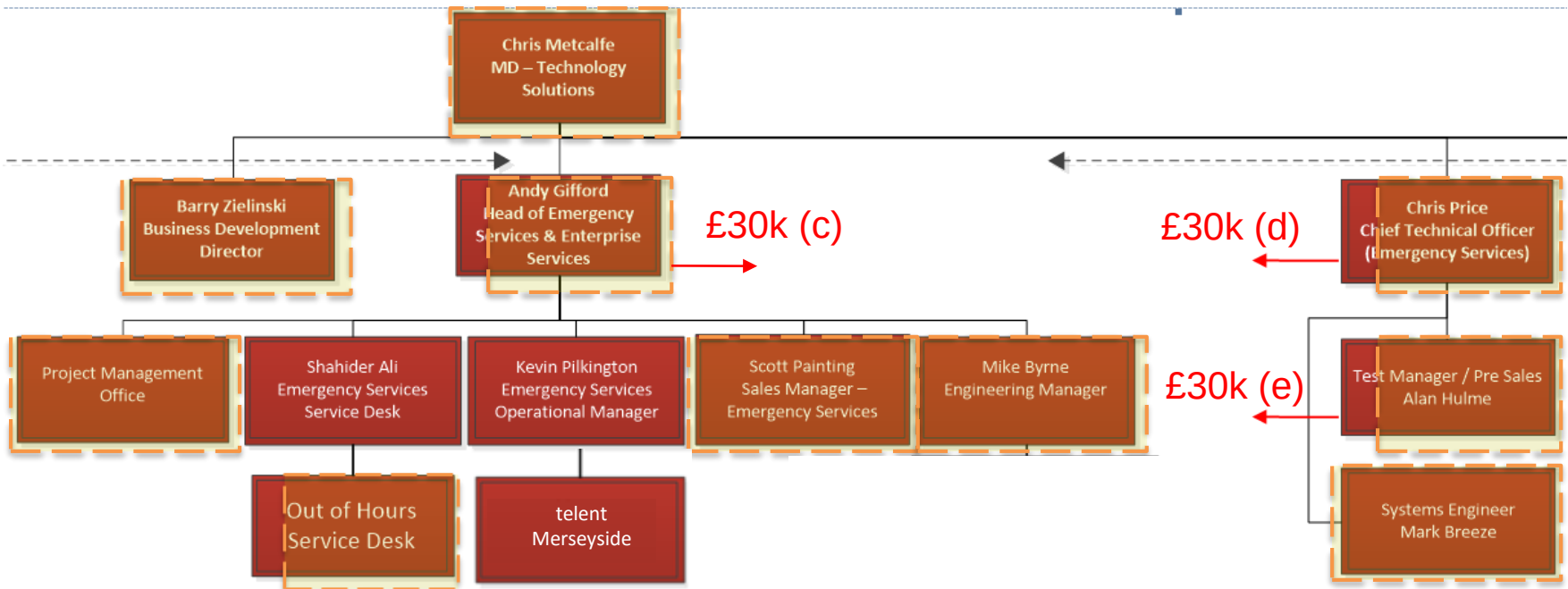
For modelling purposes we estimate that the service take-on will cost £60k over a three month period and thereafter will incur annual cost of £60k representing an additional 1.5 FTEs.

BAU £64k (b)

For modelling purposes we estimate that this function equates to 10% of MF&RS's engineering consumption based on an engineering cost of £492k plus on costs of 30% or £640k

Shared services

Which services are provided from telent's non-MF&RS resources, and what would they cost annually to either employ or procure? We suggest that any gaps are filled on a consultancy basis rather than from employment.



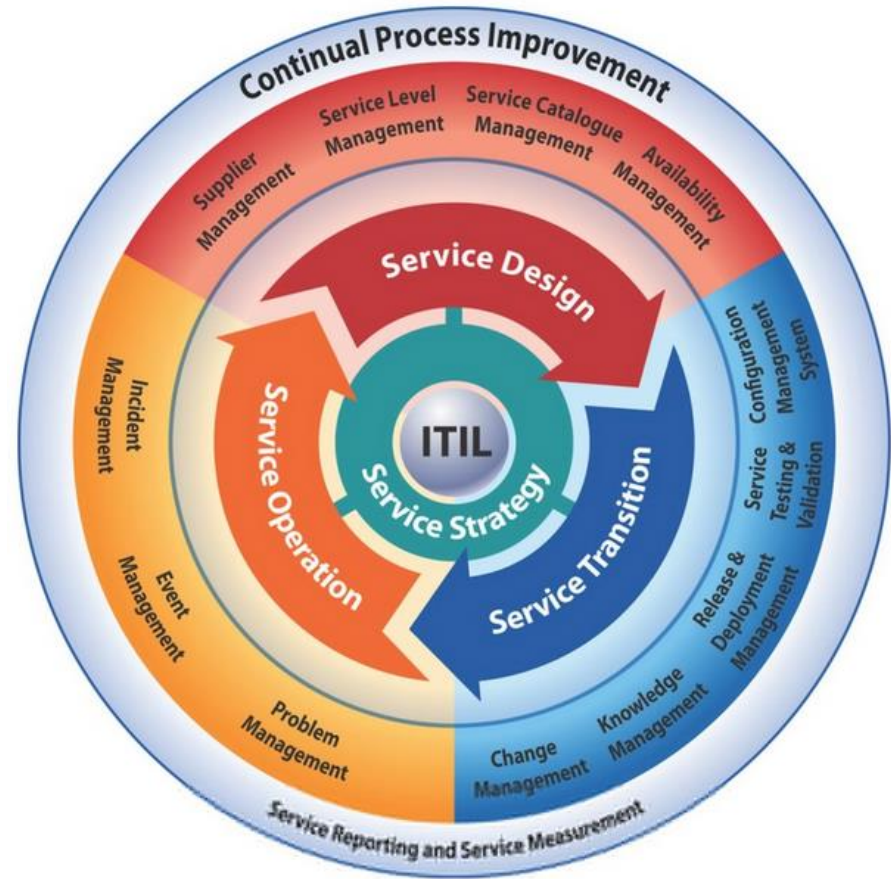
We estimate that the annual cost, which MF&RS would need to add to in-house cost in relation to current added value is approximately £214k with an additional £60k for take-on costs. We have also added additional annual line items to our overall costing model of £20k for the value of technical procurement advice and £50k for the loss of scale economies.

Day-One Services

Target Day-One structure

The key components of an In-House target structure to support Day-One service delivery would provide the following functions:

- Service desk
- ITIL aligned service management (primary ITIL functions are defined in the diagram to the right)
- Finance and administration
- Infrastructure support (1st, 2nd and 3rd line with some 3rd line from contracted vendors)
- Application support and maintenance
- Risk and security
- Strategy and architecture



In-house organisation costs

Our core assumptions under the TUPE regulations are that:

- telent's current TUPE list is accurate and that up-to 20 telent employees would be able to exercise their rights under TUPE
- MF&RS would be obligated to maintain the current supplier's terms and conditions until a full consultation had taken place and that this would not take place in Year-1
- MF&RS would undertake a "pay review" exercise in Year-2 to ascertain if the salaries paid to transferring employees were aligned to its wider HR and benefits policies
- Transferring employees would enjoy the benefits of pay protection and not receive any inflation-related pay enhancements even if the posts were downgraded, and this would apply from Year-2 onwards
- For costing purposes we have assumed that 50% of telent employees did not take-up their TUPE entitlement and new staff would be employed at 75% of telent's rates

In-house staff costs

Based on the available TUPE data and our assumptions in relation to pay protection we have constructed a five-year model of employment costs as shown below:

Year	1	2	3	4	5
Staff costs (20 posts)	810,137	810,137	810,137	810,137	810,137
Car allowances (12 posts at £4,400 PA)	52,800	52,800	52,800	52,800	52,800
Overtime payments (3 posts at £5,000 PA)	15,000	15,000	15,000	15,000	15,000
Total	877,937	877,937	877,937	877,937	877,937

Under this model the total 5-year cost of the in-house staff eligible for TUPE would be £4,389,683.

In-house cost adjustments

Additional costs

In addition to the costs of the in-house ICT organisation and the added value services identified, MF&RS would need to include the following additional annual revenue costs:

- Out-of-hours 24/7/365 service desk (£275k)
- On call payments to staff (£30k)
- Absence cover (sickness and training) (£120k)
- Training provision (£100k)
- Essential car user allowance (est. £4,400 per user) for non-transferring staff
- ICT infrastructure provision and support (£20k)
- ICT contingency support (£500k to £750k, depending on TUPE take-up and we have worked at the lower end on this figure as “Technical risk adjustment”)
- Engineering tools and software (£30k)
- Service desk licence maintenance (£30k)
- Loss of scale economies (£50k estimated)
- Technical procurement expertise dependent on volume of activity (£20k estimated)

In addition to the above, initial capital investments will be required:

- Service desk toolset configuration (£150k in year-1 and £50k in year-2)
- Transition programme and project management (£150k)
- Non-BAU procurement and HR support (£60k)

Total Day-One costs

Total costs

On the assumption that 50% of telent staff would transfer to MF&RS and that the remaining posts would be filled at 75% of telent's salaries the risk-adjusted costs of in-house provision are shown below:

Year	1	2	3	4	5
TUPE transfer %age of 50%	438,968	438,968	438,968	438,968	438,968
Residual staff employment at 75% of telent salaries	329,226	329,226	329,226	329,226	329,226
Car allowances (6 posts at £4,400 PA)	26,400	26,400	26,400	26,400	26,400
Overtime payments (3 posts at £5,000 PA)	15,000	15,000	15,000	15,000	15,000
Added value costs	214,000	214,000	214,000	214,000	214,000
Out-of-hours service desk	275,000	275,000	275,000	275,000	275,000
On-call payments to staff for 24/7 cover	30,000	30,000	30,000	30,000	30,000
Absence cover (sickness and training)	120,000	120,000	120,000	120,000	120,000
Training provision	100,000	100,000	100,000	100,000	100,000
ICT infrastructure provision and support	20,000	20,000	20,000	20,000	20,000
Engineering tools and software	30,000	30,000	30,000	30,000	30,000
Service desk licence maintenance	30,000	30,000	30,000	30,000	30,000
Loss of scale economies	50,000	50,000	50,000	50,000	50,000
Technical procurement expertise	20,000	20,000	20,000	20,000	20,000
Technical risk adjustment	500,000	150,000	50,000	0	0
Amortised capital costs	82,000	82,000	82,000	82,000	82,000
Total	2,280,595	1,930,595	1,830,595	1,780,595	1,780,595

Under this model the total 5-year cost of service provision on a like-for-like basis to the service delivered at present would be £9.602m or £1.920m per year on a “Smoothed” basis excluding any financing costs.

Notes to the “Total costs”

The following table sets-out the basis and assumptions in our “Total costs” calculation

TUPE transfer %age of 50%	Assumes that 50% of telent staff would transfer at current salary and benefit levels
Residual staff employment at 75% of telent salaries	Assumes that 50% of telent staff would not transfer and that MF&RS would need to recruit and employ the remaining staff, and that this would be at 75% of comparable telent salaries
Car allowances (12 posts at £4,400 PA)	Assumes that transferring telent and new recruits would be provided with either a car or car allowance on a like-for-like basis
Overtime payments (3 posts at £5,000 PA)	At present three staff have contractual overtime arrangements and we assume this would continue
Added value costs (a-e)	The value of additional services which MF&RS would lose should services be delivered in-house
Out-of-hours service desk	The additional cost of running a 24/7/365 service desk across two unsociable hours shifts with at least two staff working on these shifts and having an appropriate level of expertise to manage the resolution of priority 1 and 2 incidents
On-call payments to staff for 24/7 cover	The current value of payments made to telent staff for on-call services outside the current 0830-1730 Mon-Fri operational window
Absence cover (sickness and training)	The estimated cost of providing staff to cover for absence in relation to sickness and attending training courses
Training provision	The estimated cost of £5k PA training for 20 staff
ICT infrastructure provision and support	The estimated additional cost of providing in-house staff with their IT infrastructure
Engineering tools and software	The cost of specialist software and tools for 15 engineers at an cost of £2k PA
Service desk licence maintenance	The cost of the annual licence of a toolset such as “Remedy on Demand” at £1.5k per user for 20 users
Loss of scale economies	The estimated cost of losing access to telent’s wider provision and procurement facility in relation to such areas as software licences, wide area networking and engineering services
Technical procurement expertise	The estimated cost of providing specialist procurement input into the specification of technical requirements and the evaluation of tenders
Technical risk adjustment	The cost which MF&RS would need to meet to provide a “Safety net” should services be brought in house. The bulk of this would be incurred at the commencement of in-house service delivery and would ramp-down following the first year
Amortised capital costs	The annual cost of the identified capital investments amortised over a 5-year period

Beyond Day-One

Target Day-One structure

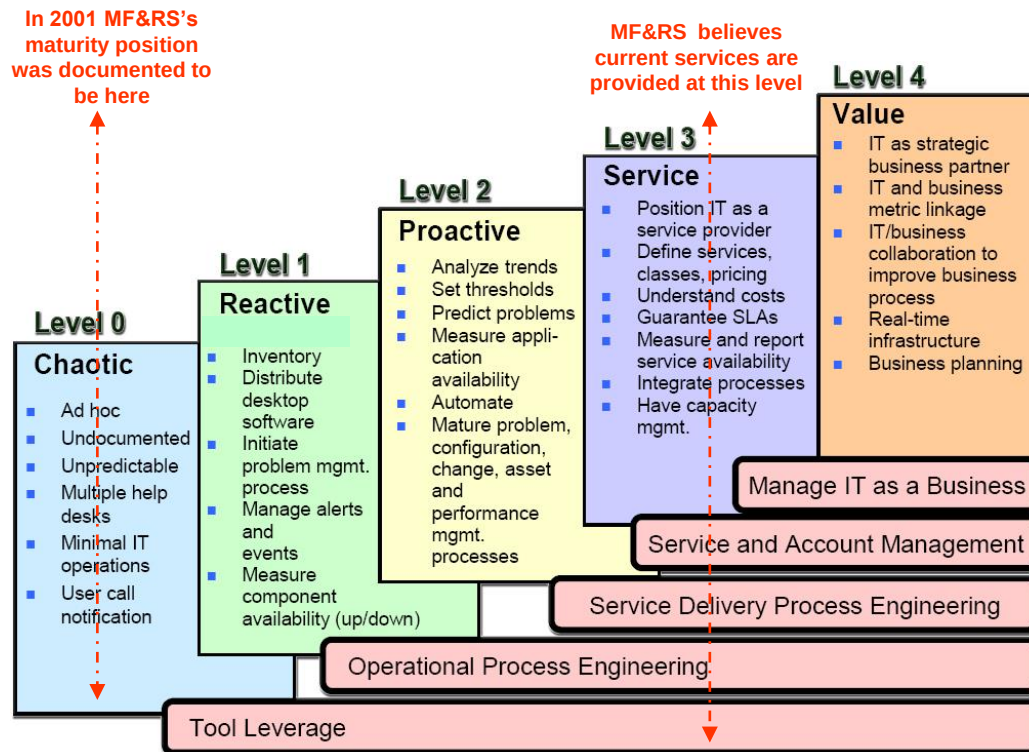
ICT is both essential and critical to MF&RS's strategic and operational service delivery. The performance of Day-One ICT services must not fall below those already received and this requires a sufficiently mature capability to deliver these services. We note that:

- The current service provider achieves its SLA targets in relation to “response and restore” obligations
- MF&RS rate the maturity of ICT capability highly as described later in this document

For MF&RS to guarantee the delivery of Day-One services at the required level of maturity, without the assurance that the capabilities of the current service provider will be replicated, **MF&RS faces the risk of catastrophic service failure which would impact its ability to perform its core public safety duties.**

On the next slide we identify where MF&RS rates its current service and process maturity. This maturity has been developed by both MF&RS and the current service provider over a 15 year period.

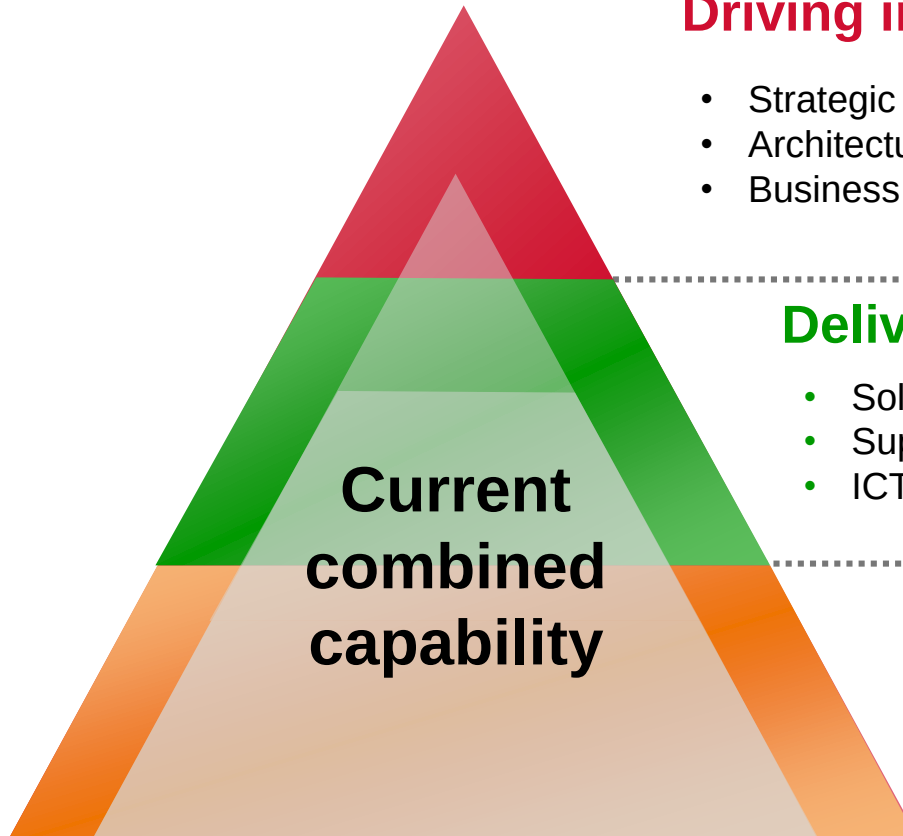
Process maturity model



For MF&RS to guarantee the delivery of Day-One services at the required level of performance and maturity, without the assurance that the capabilities of the current service provider will be replicated by in-house delivery, **MF&RS faces the risk of catastrophic service failure which would impact its ability to perform its core public safety duties.**

To mitigate this risk, should the ICT service be brought in-house, MF&RS would need to invest in a contingency contract with an established emergency services ICT specialist. This would be at a substantial cost.

Current capability



Driving innovation

- Strategic planning (MF&RS)
- Architecture design/technical planning (telent)
- Business analysis/requirements definition (MF&RS)

Delivering change

- Solutions development (MF&RS + telent)
- Support of end-user decisions/change (MF&RS + telent)
- ICT service performance (MF&RS)

Supporting infrastructure

- Data centre operations (telent)
- Network operations (telent)
- Desktop support (telent)
- System maintenance (telent)

Current SLA performance

KPI's Around the External Service Contract

Key Performance Indicators

	Service Management Key Performance Indicators	Target
1	% of total incidents responded to within agreed support targets	90%
2	% of total incidents restored within agreed support targets	90%
3	% Service Desk first line incident fix	65%

Key Performance Indicators: Sept 2013 – Aug 14

KPI	Sep-13	Oct	Nov	Dec	Jan-14	Feb	Mar	Apr	May	Jun	Jul	Aug	Average
1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	98.00%	99.30%	99.30%	98.90%	99.10%	99.50%	99.10%	99.51%	98.90%	98.90%	99.73%	93.40%	98.64%
3	78.00%	81.00%	80.00%	76.00%	76.00%	74.00%	75.00%	72.22%	71.30%	77.70%	75.10%	66.80%*	75.26%

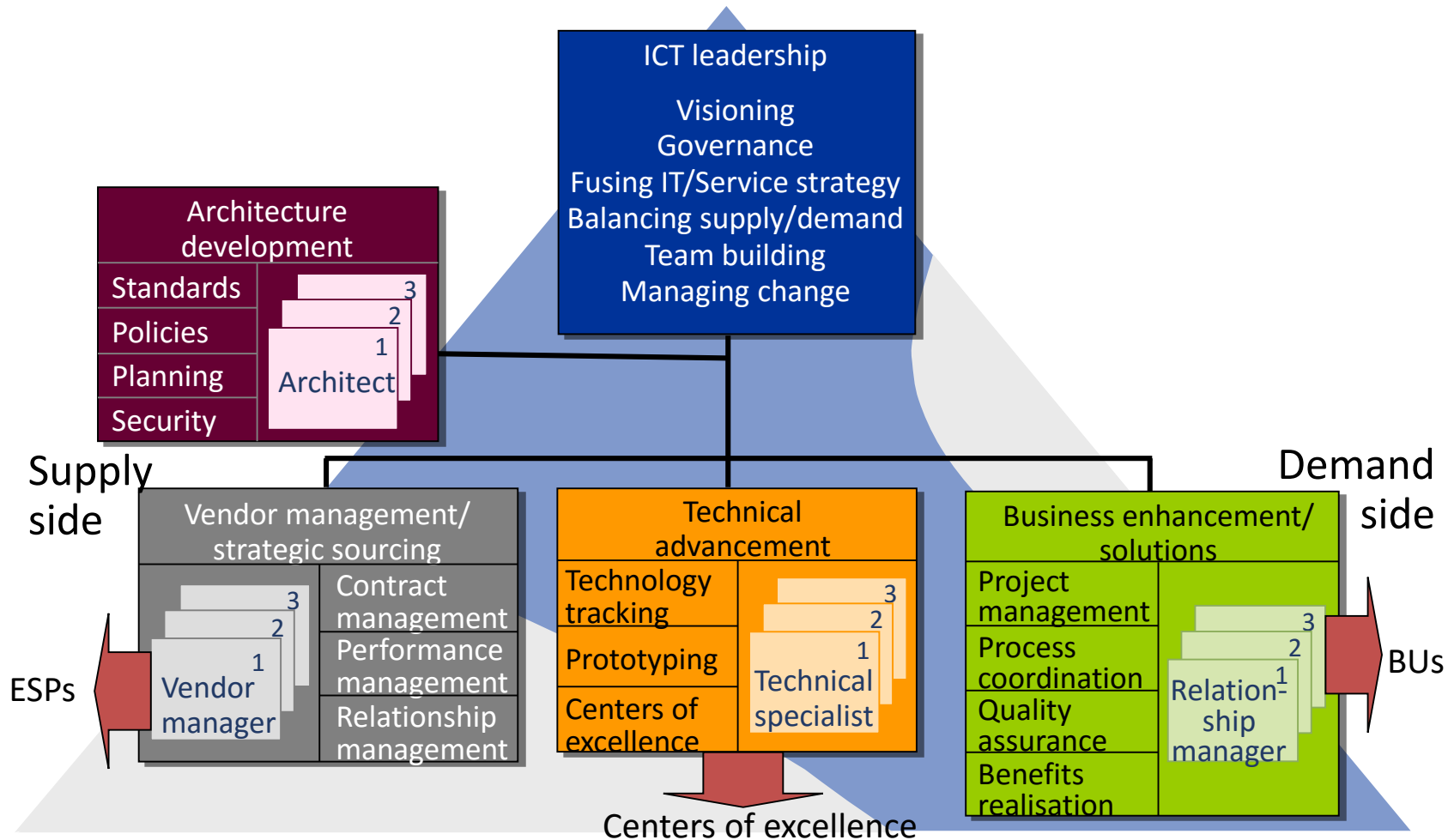
In-house organisation

Were MF&RS to deliver ICT services in-house, it would need to deploy an optimised ICT organisational structure which would be reflective of a modern and high performing service provider and commissioner.

This would require MF&RS to undertake a fundamental ICT service reorganisation which would integrate the current in-house and externally provided services. This would recognise and reflect MF&RS's total ICT spend of approximately £4m rather than the current external service cost.

For the purposes of calculating Day-One costs we have not adopted this integrated model, but were MF&RS to return services to in-house delivery it would need to design the target organisation on the design principles articulated on the next slide

Design principles



Integrated ICT structure

