Local Government Association

National technological and digital procurement category strategy

Guidance

Acknowledgements

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- commercial directors and chief information officers across local government
- Local Government Chief Information Officers (CIO) Council
- Government Digital Service
- the entire local government supply chain – internal and external –- from SMEs to large multi-nationals
- professional buying organisations – Yorkshire Purchasing Organisation (YPO), Eastern Shires Purchasing Organisation (ESPO), North East Procurement Organisation (NEPO), CBC and Crown Commercial Services (CCS)
- professional networks – Society of Information Technology Management (SOCITM) and Society of Procurement Officers (SoPO); plus wider service groups
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Foreword

Information technology (IT) is one of the most significant spend categories in local government. It is essential therefore that local government considers, on a national basis, how we can demonstrate:

- delivery of more effective, value for money public services
- better business processes
- support for technology clusters
- facilitation for shared services and partnerships, and mobile working
- support digital transformation of services, connectivity and 'smart', embedded technologies in our infrastructure.

Traditional tendering practices, such as ways of specifying requirements, are not well-suited to this new world. The local government market remains fragmented, at times risk-averse and less open to smaller, 'bleeding edge' suppliers who are transforming other sectors.

The challenge for IT procurement is to create the agility and flexibility needed to meet the unprecedented demand for new technology and new ways of using technology in a way which manages risk and does not compromise probity or value.

'Digital' is not about more IT. It's not even about automation and self-service – though these form a part. It is about fundamentally changing the way councils operate, from top to bottom – governance, roles, risk management, decision making, policies, democratic process, citizen engagement, staff responsibility, structures and, of course, processes. Successful digital organisations tend to develop operating models clustered around speed, adaptability and sharing data. Successful public service digital transformation therefore requires redesign and reengineering on every level to make councils faster at doing things, more adaptable and able to share more information.

This IT Procurement Strategy has been developed and is owned by local government to be used to assist and promote value for money, economic growth, wider service delivery and social value.

The main outcome is to use procurement and commissioning to directly improve the economic, social and environmental wellbeing of the communities we serve. We remain committed to improving that performance, to use leverage to get better value from our biggest suppliers and to further streamline our processes for smaller firms and scale-ups.

Councillor Theo Blackwell
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Introduction

As local government moves wholesale towards digital operating models, it is essential that IT itself is not a barrier to business change, service transformation or to shared service initiatives.

Detailed service level agreements (SLAs) and outdated procurement practices that have previously underpinned the approach to public sector IT procurement have sought to control costs and risks, but they have also been shown to create the reverse effect, with unintended risks and costs of change, at times potentially limiting value and innovation.

A strategic approach to IT sourcing in councils can ensure better value from technology as well as greater flexibility, avoiding creating future IT legacy challenges from disparate IT solutions, which has become a problem today for many councils.

Whilst innovation in the use of technology is seen more commonly in councils than perhaps any other part of the public sector, it does depend on new models of client and supplier relationships, balancing risk in the way software and other IT solutions are procured and deployed. Value in IT procurement comes from adaptability not predictability.

IT leaders and those involved in technology procurement, therefore need to consider how technology solutions will address the digital challenges facing local government. This is partly about efficiency and productivity, but it is also about solving the intractable problems facing the sector, such as crime reduction, health and social care integration, helping with the issues of troubled families, shared services and devolution.

This requires a new architecture for technology, identifying common tools for common purposes, reducing the dependence on large technology and allowing smaller, low-cost intuitive and fast-to-deploy apps to be used. In the past, there has been a tendency in IT procurement to over-engineer and over-specify requirements, which has resulted in a level of complexity that makes change more challenging and more expensive than it needs to be.

Above all, this category strategy aims to help IT and digital leaders maximise the opportunity of technology to transform local public services.

Our Vision

This IT Procurement Category Strategy has been developed and is owned by local government. It seeks to:

- assist and to promote value for money, economic growth, and wider digital service delivery, whilst adding social value from technology
- simplify and to harmonise the IT estate in local government, reducing cost and increasing the flexibility of technology
- streamline IT procurement processes.

This will help to avoid 'lock-in' to particular contracts, suppliers or technologies that creates legacy barriers to digital developments in particular. This strategy sets out a vision for local government IT procurement and encourages all councils in England to consider three key, inter-linked, areas:

- procurement practice
- IT as an enabler
- other considerations when procuring IT.

In this the Local Government Association (LGA) supports councils in identifying and procuring the necessary digital technology, systems and tools by providing practical ideas, guidance and solutions in these areas.

Theme 1
Procurement practice

- **Spending wisely, being more efficient**, by promoting ideas and a vision of a future IT landscape in the context of 'digital delivery'.
- **Continuing to work with SMEs** and local suppliers to obtain local economic, environmental and wider social value for communities.
- **Considering the merits and risks of insourcing and outsourcing**, learning from past experiences.
- **Building more flexibility into IT contracts**, creating space for adaptability rather than relying on predictability in IT tendering, so allowing for scope for innovation.
- **Adopting strategic IT sourcing methods**, to ensure well-informed decision-making around whether to re-tender, renew or renegotiate contracts.
- **Using common and shared procurement routes and frameworks**, such as G-Cloud, to reduce the costs of IT procurement, to save time and to increase choice of solutions available to local government.

Theme 2
IT as an enabler

- **Supporting the development of smart places**, securing maximum benefits from IT spend in terms of business, transport, jobs, public services and economic growth from the technology sector in particular.
- **Working with suppliers to improve their understanding of local government** – its challenges and its needs – in order to improve tender responses and delivered value for suppliers and their local government clients alike.
- **Developing more business-like and commercial models** for councils in order to generate new revenue, increase productivity, maximise revenue collection, be easier to work with and to improve efficiency.

Theme 3
Other considerations when procuring IT

- **Making best use of IT and data assets**, developing and creating innovative ways of exploiting these, with the necessary level of security and tools for information asset management.
- **Expanding on open source opportunities**, championing interoperability and greater use or technology standards throughout the sector, promoting open data, and resisting unnecessary proprietary or customised IT solutions.
- **Maximise the potential from sharing technology infrastructures** across local public services, such as health, police and other councils, by adopting common and appropriate technology standards.

In addition, the LGA will:

- **provide national leadership and direction on procurement matters**, by highlighting the importance of a strategic approach through the National Advisory Group for Procurement (NAG) and the other related representative boards and groups that it supports
- **capture, showcase and share good practice across the sector**, through case studies, workshops and events, by highlighting the successes councils are already achieving.

Many councils will be working to these strategic themes for IT and digital procurement already, or are working towards them. But even the very best performing councils should be constantly re-evaluating, inwardly challenging, learning and developing. This strategy is aimed at those seeking to be digital leaders as well as those not as advanced on their IT procurement journey. Every council can benefit from effective IT procurement, given the potential benefits of technology and digital for the whole sector, growing public demands and expectations, and the universal financial pressures being faced.

Theme 1
Procurement practice

Chapter 1
A changing context for IT procurement

The Local Government Association's (LGA) National Advisory Group for Local Government Procurement (NAG) published its first National Procurement Category Strategy for IT in 2014. Since publication, the commercial landscape across common technology goods and services has changed dramatically.

The first strategy enabled IT innovations, drove the commercialisation of IT assets, increased revenues and delivered tangible savings to councils across the UK.

Collectively. Today, local government spends around £2 billion per annum on IT, with £1 billion of this spent on sourcing and supporting software applications. This sum does not reflect the total financial influence that new technology and digital services can have across all budget headings.

Councils must also be able to demonstrate best value for money from IT investment, not only in unit costs (where these are measurable), but in terms of the contribution that technology can make to solving the big challenges councils and communities face.

Those challenges are well-known and depend on digital solutions, often shared between related public service organisations:

- health and social care integration, with citizens in more control of their data
- improving data quality and analytical potential of information
- improving resource management, so that capacity, skills and investments are used to greatest effect – such as better timed intervention
- supporting and reducing the social challenges of 'troubled families'
- enabling devolution, collaboration and shared services
- driving efficiency and staff productivity in all services
- understanding the cause of service demands and how to fulfil those demands
- sharing IT infrastructure and IT service capacity across related public services
- supporting smart cities and 'smart places', for example with open data
- reducing crime and the causes of crime, through improved data analytics and citizen engagement
- protecting the environment, such as in the management of waste
- enabling citizens to be more involved in decisions about their communities and their lives, using social media and interactive tools
- exploiting the potential of new data sources, such as the internet of things (IoT), whilst managing privacy and security risks.

It is often the complexity of these challenges, the differences between councils, and the pace of change in local government, that can make it harder for IT suppliers to understand the sector and to know how best to engage and to respond to requests for IT services and products. Therefore, working closely with suppliers, during and before tendering exercise, is mutually beneficial.

There are already many outstanding examples of best practice from both IT suppliers and of councils contracting technology solutions. At the same time, there are still examples where IT procurement fails to deliver the value required, or where suppliers find local government difficult to do business with.

The challenge for IT leaders responsible for IT procurement is to create the agility and flexibility needed to meet the unprecedented demand for new technology and new ways of using technology (digital delivery), whilst learning from past mistakes.

Digital transformation needs to be underpinned by the integration of IT standards that will in part define the next generation of government – interoperability, openness, application programme interfaces (APIs) and software development kits (SDKs). The themes of aggregation, collaboration and strategic coordination of councils – regionally and nationally – plus their supply chains are still as relevant today as they were in 2014, but arguably more pressing.

Finally, this category strategy is being written in the context of potential legislation changes in the light of the Brexit vote to leave the European Union (EU). This context is still developing, but the Government has indicated that it will, for the foreseeable future, transpose all current EU law onto the UK statute books. Nonetheless, councils should be aware of the volatility of exchange rates and the need to manage exchange rate risk in the IT supply chain:

- to allocate the risk of short term fluctuations in rates (this includes the effect of exchange rate fluctuations on payables and receivables)
- to achieve price stability over a reasonable time period
- to understand the level of exposure so that strategic decisions can be made regarding location strategy and corporate risk management.

Key message
IT suppliers and their local government clients have a mutual interest in seeing technology used as widely as possible, and with the greatest value delivered. This requires an understanding of the digital drivers for technology and the changes these imply for both supplier and IT procurement specialists.

Councils should
Work closely with suppliers to help to mitigate risks as well as increasing flexibility in contracts.

The impact of digital

Becoming a truly 'digital' organisation is much more than having excellent IT, widely used, and well-implemented. It is also more than introducing electronic self-service, a new website, process automation with joined up delivery, with comprehensive, easy to use, end-to-end electronic transactions.

Digital is much less about technology than it is about introducing fundamentally different ways of working. For example, changing:

- habits and routines, practices and cultures
- organisational structures, roles, responsibilities and governance
- relationships with citizens, suppliers and staff, with much greater empowerment
- processes and policies, such as in the way risks and resources are managed
- the traditional operating boundaries of service functions and domains.

This means redefining what the organisation does and how it does it, from top to bottom. Digital operating models are more agile and flexible than traditional ways of working, and traditional IT procurement methods are often too slow, the resultant solutions too inflexible, in a digital world.

Failing to understand what digital means for an organisation makes IT procurement planning particularly hard, with a risk of subsequent avoidable costs of change, as limitations with procured technology emerge that were not anticipated when a tendering exercise began. Newly acquired IT systems may fail to deliver the value expected of them, or their use becomes unnecessarily constrained by contractual restrictions (such as sharing with partners).

At the same time, is a balance to be struck between attempting to 'get it right first time', which is rarely possible in any IT procurement, yet avoiding risk of weak specification or requirements.

Another challenge for IT and digital development is prioritisation. There are just too many potential projects comings from digital developments to be able to do them all at once. Trying to do so may place an impossible burden on limited IT resources, as well as increasing risk by doing too much at once.

Clarity of corporate priorities in digital development will help, for example, to identify which legacy applications have to be replaced because they are blockers on digital progress, and which can be retained for a little longer.

A corporate approach to IT prioritisation must consider the overall benefits of IT for the organisation, not just the technology priorities of individual departments. This includes identifying intangible and indirect benefits and quantifying these to establish true benefits from IT investment.

IT must be part of business service and digital planning, not seen as a standalone utility; it must be a 'value generator' in digital development, not simply a 'cost centre'.

Key message
'Digital' is a fundamental shift – it is not just about more IT, new IT or IT innovation. It does, however, depend on IT, and careful prioritisation of IT activity.

Councils should
Review what IT has already been acquired, which part of the technology estate needs to be replaced or amended, the terms and conditions affecting its use, as well as the way in which future IT procurement is undertaken.

Digital canopy

A number of service areas and departments within councils are seeking to implement digital solutions to address a number of issues including:

- making online the first choice for residents to be able to interact with council services
- income generation
- support to regeneration activities
- stimulation of business growth
- ensuring maximum digital access and literacy for residents
- enabling the implementation of 'Internet of Things' technology and capability
- support improved delivery, eg through central management systems for lighting or digital CCTV technology.

However councils will often seek solutions to these issues in a piecemeal manner with service areas within councils implementing individual projects to address some of the issues set out above. As a result this can lead to duplication and non-standardisation of equipment and networks installed resulting in unnecessary costs being incurred and networks unable to 'talk' to each other.

Before procuring solutions, set out above, councils should consider implementing a single integrated project to bring together all council facing digital infrastructure and internet of things initiatives into a common connected approach ('digital canopy'). This approach would review all opportunities to include fibre, CCTV, smart cells, wireless on rooftops and street furniture, LED CMS, LTE and 5G.

The key outcome will be to have a joined up digital infrastructure plan with intended target results setting out the benefits for business, residents, visitors and a single commercial model.

IT and efficiency

IT can have a significant impact on efficiency in all organisations. Digital businesses in the private sector which exploit technology to the full, are known to be more productive, more efficient, generate greater revenue and have significantly greater market share. They are also more able to respond to changing conditions. These benefits and opportunities are required just as much in the public sector.

At the same time, badly applied technology solutions can be costly, creating inefficiency and act as a barrier to modernisation. Therefore, IT-enabled change programmes and technology acquisitions must be carefully planned, to reduce risks and to maximise potential. This means establishing requirements and procuring intelligently, being ready for implementation, ensuring that data migration preparation is effective and that change management capacity exists.

One of the challenges lies in creating a business case for any new IT acquisition. For example, whilst the direct costs of IT are often visible, the true measurement of their value or the cost alternatives (such as traditional paper-based methods), in digital delivery are sometimes difficult to identify.

This includes determining the true costs of current practices, such as management and administrative overheads, which should ideally be offset against the costs and risks of change.

As a result, traditional methods of working are sometimes retained, despite being less efficient, or perhaps IT requirements are specified too narrowly, to deliver the full IT efficiency potential. Therefore, IT leaders should structure an IT procurement business case that objectively assesses the costs of current operation and where direct or indirect costs and savings may lie, in business (not IT) terms, with realism about the challenge in realising savings and benefits.

Where this is not possible, building flexibility into contractual obligations, without increasing costs, can allow increased efficiency to be delivered later.

One area where greater cost savings from IT can be achieved is through aggregation. The LGA undertook a review of current local government procurement spend in 2013 to identify potential areas of benefit from aggregation. This led to the creation of the Local Authority Software Agreement (LASA).

This agreement aims help to aggregate IT spend for the purchase of common 'line of business' applications by councils, such as social care case management systems, revenue and benefits collection and payments and delivery of statutory functions such as social care, planning, environmental and building control, and the provision of library systems.

The LASA agreement was put in place by the Crown Commercial Service working with councils, Pro5, and the LGA. Since its inception recorded order value is approximately £55.6 million. LASA was highly commended for procurement innovation at the GO Awards and Society of Procurement Officers in Local Government (SOPO) awards.

The LGA has also set up the Customer Charter for Local Government National Category Management in IT[1]. This Charter aims to 'effectively manage local government's overall commercial engagement with supply markets, especially in core categories in energy, construction and IT'. Its purpose is to identify potential benefits (savings or technological advances) that can be gained from collaboration and to facilitate the realisation of those benefits.

Regular engagement is now embedded in the sector working with local authority professional buying organisations (PBOs) – such as the North East Procurement Organisation (NEPO), Yorkshire Purchasing Organisation (YPO), Eastern Shires Purchasing Organisation (ESPO), Central Buying Consortium (CBC) and the Association of Greater Manchester Authorities (AGMA) – and regional chief information officer (CIO) groups, including the Society of ICT Managers (SOCITM) branches and the NAG network.

PBOs have helped councils to aggregate their requirements to get the best deal. For example, a group of 34 councils, headed by the eAuction Contract Management Board, have combined their requirements to go to market for a range of IT equipment, using non-brand specific technical specifications developed by the group, yet meeting the common needs of all participants. By listening to supplier feedback, the technical specifications were then optimised to reflect the current market. Regular meetings were held with the board to resolve issues, agree evaluation criteria letting strategy and communications plans.

The result was that, against a pre-auction value of £24.6 million for the 48,000 devices, the euction achieved savings of between 2 per cent and 44.37 per cent, a saving of £8.8 million over the two year contract period.

The LGA also led the Productivity Exchange[2] which now has over 1300 members and provides a one-stop-shop for information and the latest IT procurement advice. Councils also have access to 'Local transparency guidance – publishing spending and procurement information'[3] which is a practitioner's guidance to publishing information about expenditure, tenders, contracts and grants in accordance with the local government transparency code 2015.

Feedback from the workshops we held and consultation exercise suggested there was a desire for an online portal where councils could post information on apps that they had developed.

SOCITM in conjunction with CC2i have a portal[4] that can be used for this purpose.

Any IT team out there, whether within a council, SME, or public sector organisation can use the site to post their idea. CC2i will then do the work to ensure that all like-minded organisations in the sector are made aware of it.

Sharing information and best practice in this way contributes to more efficient practice through IT procurement, and this extends to ensuring that contracts do not unnecessarily prevent councils sharing expenditure and comparing value with each other.

Key message

All councils are striving to secure greater efficiency and IT has a central part to pay in this – improving processes, automation, productivity of staff and more. Much information is available through the LGA and other professional bodies, to assist with making the connection between IT and efficiency and sharing best practice.

Councils should

Carefully consider how you construct business cases for IT, by accurately and objectively assessing the true cost of non-digital practice. Whilst also considering aggregate IT spend through LASA and other procurement frameworks.

1 https://www.local.gov.uk/sites/default/files/documents/Local Government ICT Customer Charter.pdf

2 https://khub.net/group/productivityandefficiencyexchange

3 https://www.local.gov.uk/our-support/guidance-and-resources/data-and-transparency/local-transparency-guidance

4 http://cc2i.org.uk

Social value

The Public Services (Social Value) Act came into force in 2013. This requires those who commission public services to think about how to secure wider social, economic and environmental benefits.

Whilst becoming more commercial has distinct advantages for councils in terms of efficiency, revenue generation and ultimately services to citizens (if done well), there are also responsibilities for delivering social value.

Corporate social responsibilities, ethics and values in public service delivery are all areas where councils can set a lead for others to follow, especially as organisations and areas become increasingly digital, and this can be show in IT tendering practice.

As a sector, local government is already obtaining considerable social value benefits from third party providers by ensuring that they have well established procedures in their procurement processes for doing this. Councils have been at the centre of national social value policy objectives, with many councils pre-dating the Act with social value stipulations embedded in contracts.

Although primarily for social and community benefit, there is also good evidence of a symbiosis between social value and economic value – protecting the environment, ensuring equality of opportunity, dealing with poverty all create economic value.

Modern slavery is a serious crime in which people are treated as commodities and exploited for criminal gain. It includes human trafficking, slavery, servitude and forced and compulsory labour. The Modern Slavery Act 2015 sets out to tackle exploitation which takes a number of forms, including sexual exploitation, forced manual labour and domestic servitude, and victims come from all walks of life.

Councils may wish to consider affiliating to organisations such as http://electronicswatch.org/en if they have concerns about potential poor employment practices in the supply chain for IT equipment.

The key activities for councils to consider implementing to create local social value include:

- agreeing a social value policy to provide a 'golden thread' between council plans and procurements
- ensuring social value requirements are embedded in all IT procurements as set out in the National Procurement Strategy for Local Government[5]
- not being prescriptive about social value within a specification, but setting out areas where IT suppliers might help the council to deliver outcomes
- allocating, say, 10 per cent of the quality/price evaluation to social value to incentivise service providers to respond with good offers
- careful disposal of IT equipment – locally, carefully recycled and 'cleaned' of data, reused where possible for social value with end of life tracked to ensure this happens.

Key message

The LGA has worked with the Social Value Portal to develop a Social Value Maturity Index[6] which enables councils to identify how they might improve their capabilities in this area, advocating a self-assessment toolkit.

Councils should

Fill out the self-assessment toolkit to enable to your council to work to the maturity matrix to improve social value outcomes.

Small and medium sized enterprises (SMEs)

Local economic growth is a high priority for all councils and it is widely recognised that procurement can be a tool to promote the wider local economy and social value objectives.

5 https://www.local.gov.uk/sites/default/files/documents/download-national-procure-241.pdf

6 http://socialvalueportal.com/social-value-taskforce/svmi-public/

There is always a dilemma facing IT procurement in the extent to which it is a priority to support small, local SMEs, rather than the often safer established and larger IT vendors. Internal policies need to be clear on this, encouraging local business and the local economy, but not unduly constraining IT buyers or creating avoidable risks or costs.

We recognise that most councils are already working effectively with SME's, with prompt payment policies firmly embedded and pro-actively incorporating the Social Value Act to make this happen. The Government's policy on localisation of business rates will further encourage councils to stimulate as much local economic growth as possible to maximise their revenue.

The Digital Marketplace now has almost 4,000 suppliers from across the country. Seventy-two per cent of suppliers are now outside London; 91 per cent of suppliers to the marketplace are SMEs.

Through its spend on IT, councils can further break down barriers for suppliers through encouraging 'commercial' thinking and embracing new developments such as Innovation Partnerships[7] or Dynamic Purchasing Systems.[8]

The LGA supported a 2012 survey undertaken by the Federation of Small Businesses[9] that identified a number of actions, many of which are still relevant today, to increase the use of SME's in the delivery of IT solutions locally. In order to underpin local economic growth councils should consider:

- encouraging the use of SMEs and micro providers in IT procurement
- encouraging the first-tier suppliers to use SMEs in their own supply chains
- ensuring that procurement strategies explicitly recognise the benefits of SMEs when tendering without compromising their legal responsibilities
- taking account of the needs of the existing local economy and use this to inform procurement strategies based on a comprehensive analysis of spend and the market
- how much weight in each procurement decision should be realistically assigned to 'social value' considerations (see on)
- setting out in their IT strategies, policies and procedures how best practice IT procurement will be is followed and monitored
- breaking down contracts into smaller lots where practical
- taking account of the local economic impact of key spending decisions and monitoring local economic impact where possible
- simplifying processes to make councils easy to do business with, especially for SMEs
- ensuring initiatives to support local SMEs within tender processes and to develop the potential of the SME supplier base locally
- providing detailed, specific and timely feedback to suppliers in order to improve their bidding capabilities
- providing regular training and supplier pre-engagement activities to ensure that capacity is built ahead of tendering and to support market shaping
- the use of contract clauses to ensure that prime contractors pass on the council's payment terms to their subcontracted suppliers in the supply chain.

Councils are lending their support to local enterprise and innovation by allowing SME's to 'beta-test' new products and software in controlled environments at their councils.

7 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/560264/Guidance_on_Changes_to_Procedures_-_Oct_16.pdf

8 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/560265/Guidance_on_Dynamic_Purchasing_System_-_Oct_16.pdf

9 Local Procurement Making the most of small businesses http://www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/assets/local-procurement-2013.pdf?Status=Master&sfvrsn=1

The fact that growth in the IT sector is outstripping other sectors, and the value that IT businesses can bring to a local economy, should be taken into consideration in IT tendering.

For example, the benefit of creating technology jobs in an area, the contribution to wider digital infrastructure and solutions, the potential wider impact to the local economy, and the ongoing partnership between supplier and council, in the development of a 'smart places' vision.

There is no one template or a formula for this, it depends on the area, the nature of the solution being procured and the priorities of the council. It is however, an important factor and a number of smart cities are stimulated in part by council's working with the IT sector.

Key message
SMEs have a key part to play in the local economy and councils should consider carefully how they can be assisted especially in IT procurements. This can also make a tangible contribution to the creation of smart places, such as smart cities, by stimulating the technology sector locally.

Councils should
Ensure that procurement practices and processes are not unduly burdensome on smaller suppliers, especially where the risk and complexity associated with the solution being procured does not justify this. Examples may be in the scale of indemnity insurance required, payment streams or other terms.

Strategic IT sourcing

Strategic IT sourcing considers a wider context for IT procurement. For example, community impact and benefits, the longer term needs of the organisation and its partners, as well as the expectations of the supplier. It is also about taking a broader view about where technology fits into the portfolio of solutions, with sufficient flexibility to adapt when required.

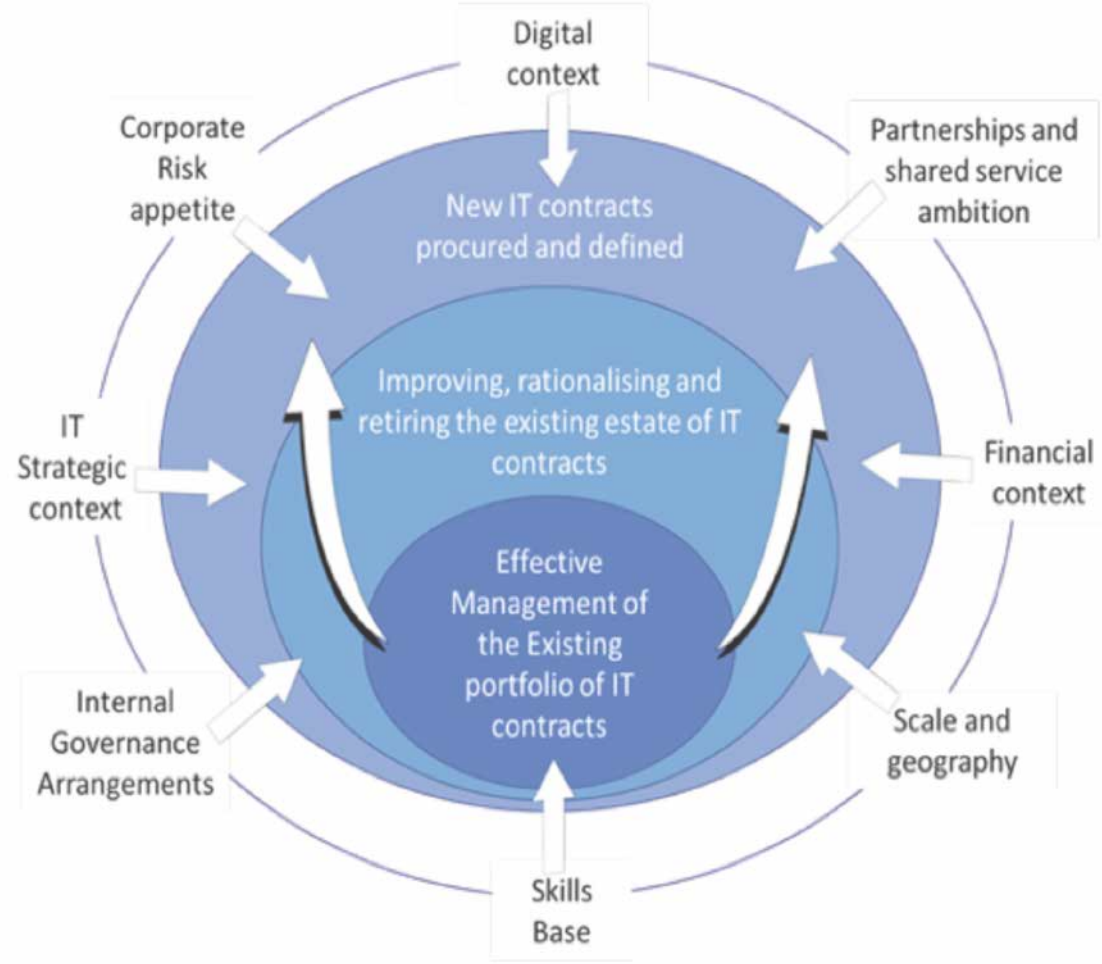
The growing sophistication of IT procurement demands a more strategic approach. This is driven primarily by two requirements:

- digital business providing public services need IT solutions applied in new, faster and more flexible ways, often with less predictability than in the past
- a wider range of technology solutions are demanded today, including the traditional large IT systems capability, to smaller, free and constantly changing apps, all able to handle data integration and access security in a coherent and consistent fashion.

Part of this challenge lies in the range and diversity of local government services. A large unitary council may provide between 600 and 700 different services, each with their own IT requirements. This is made all the more challenging where shared services operate. This complexity makes it very difficult to establish a single common IT architecture in the way that may be feasible for a central government department (the concept of Government as a Platform – GaaP, for example).

A strategic approach to IT sourcing can help councils to ensure as much commonality and consistency in IT as possible, without trying to make 'one-size-fits-all' where this is not realistic. The ambition of an IT sourcing strategy should therefore be to:

- create a simple corporate approach to IT prioritisation aligned to corporate priorities
- improve the management of IT risk in systems management, acquisition, use and disposal
- increase IT system and service flexibility and adaptability, without increasing cost
- allow easy reuse and sharing of IT contractual assets, including data
- build appropriate and transparent metrics of IT performance measures for systems and suppliers
- recognise the importance of growing internal IT competency levels where this helps to reduce unnecessary risk or supplier dependency



- ensure a 'whole life' understanding of procured IT solutions, to avoid supplier 'lock-in'
- work in partnership with suppliers, to drive up IT value and choice, and to drive down costs.

To get this right, councils need to establish an IT architecture which balances the 'big' IT with smaller more flexible low-cost technologies.

It also helps to ensure that there is a coherent IT portfolio of products and solutions serving the needs of a council, rationalising software portfolios wherever possible, so reducing costs of ownership and creating greater coherence and share-ability.

For example, data and information are often locked into proprietary solutions. This not only makes business intelligence more limited than it needs to be, but it can also be a barrier to shared services.

Key message
A strategic approach to IT sourcing in local government can help councils to integrate software into common platforms of services, removing duplication, maximising the potential for wider and shared use of IT investments.

Councils should
Explore new models of software architecture which are emerging, typically built around fewer large core corporate applications, with more space for a range of smaller, cheap and flexible tools, such a smart phone apps.

Improving IT procurement practice

Everyone wants to see councils as transparent, efficient and responsive as possible, whether they are suppliers or consumers of council services. Growth in public expectations and in demands, coupled with constrained resource and cuts, require new ways of delivering essential services, maximising the potential of technology to do so.

The LGA works closely with the sector representative bodies that support councils to better understand the opportunities and challenges needed to transform their IT procurement practices.

The key stakeholders, including the professional buying organisations, SOCITM and the Local CIO Council have been involved in this work to jointly shape, scope, develop, evaluate and implement national frameworks for commodity goods and services which meet the needs of councils strategically, commercially and technically. This has included consulting with stakeholders in the buying, supplying and IT communities, at local, regional and national level.

Public-sector IT procurement has not always had the best reputation. Ten years ago, the Public Administration Services Committee (PASC) reported on the way in which IT was bought by the public sector, in a report entitled 'A Recipe for Rip-Offs'. A number of reasons were listed for past IT procurement problems, including the commercial naivety in parts of the public sector, coupled with an under-estimation by suppliers of the complexity of the sector and its challenges. There were some catastrophic and well-publicised IT procurement projects.

Fortunately, much has improved since then, and most publicised failures were not in local government. However, in trying to compensate, there was a subsequent tendency to over-specify details in tendering documents and attempts to transfer more risk to the private sector, which did not always improve matters.

The PASC advised on positive steps to reduce these risks which are still valid today:

- undertaking transparent benchmarking as part of a procurement cycle
- understanding the risk and cost of legacy systems in new IT acquisitions
- building in-house IT skills, rather than depending on suppliers
- growing public sector commercial skills, to improve procurement practice
- undertaking internal cultural change, to become an 'intelligent IT customer'
- driving a 'digital by default' vision, rather than buying a patchwork of IT
- exploiting customer and service data, in order to improve IT use.

It is in the interests of both local government IT clients and IT suppliers to ensure that IT procurement is smooth and well-managed. IT clients have improved their commercial skills and internal procurement processes, and many suppliers have been working hard to understand the sector better.

Given the amount of change that has impacted local government, from cuts, reorganisation, shared services, and new regulation, let alone the amount of technology change, one key requirement for all IT contracts is flexibility.

This means for example, flexibility to change without penalty or the need to retender in areas such as:

- contracted volumes of service
- sharing a contract with other organisations
- adjusting a product or solution use after purchase.

These are often changes that could not necessarily be defined or predicted when the tender specifications were first developed.

IT contracts that are too rigid tend to be expensive to adjust. Working together more closely with suppliers not only reduces the likelihood of post-procurement issues with technology acquisitions, by improving the understanding of client needs and product capabilities, but it also creates a greater chance of flexibility with a stronger mutual interest in resolving problems, should they emerge.

Suppliers must be (and generally want to be) partners, not adversaries. Simpler, faster, more open procurement practices by councils can reduce the risk of supplier lock-in, as well as the cost of engagement for both clients and suppliers.

Suppliers sometimes criticise the government IT sector for commercial naivety in IT procurement. Although this may not be generally the case, one way of ensuring informed and high quality strategic IT sourcing, is to adopt a 'category management' approach. This is defined by the Chartered Institute for Procurement and Supply (CIPS) as:

'A strategic approach which organises procurement resources to focus on specific areas of spends. This enables category managers to focus their time and conduct in depth market analysis, to fully leverage their procurement decisions on behalf of the whole organisation. The results can be significantly greater than traditional transactional based purchasing methods.'

This can help to ensure higher levels of technical knowledge are retained in-house, especially where IT teams have had to reduce in size or where IT outsourcing has taken over. It is both important and difficult to retain a currency of IT knowledge and skills in order to be an 'informed buyer' of IT solutions.

Good practice through IT portfolio management can also improve IT procurement practice. For example, using contract management tools that can provide robust data, to be used in a systematic and automated way to manage the performance and contractual conditions of a portfolio of suppliers.

This means having a comprehensive and centrally managed catalogue of all IT suppliers and contractual details, held in a consistent format with comprehensive reporting possible. This should include set up centrally by an IT department or those instigated by other departments locally, whatever the value.

Key message

There are a variety of ways in which councils can improve their IT procurement practice and managing contract data digitally is the key to good contract management. The measures of success in IT sourcing should be the value extracted from technology, not in the ability to predict the future in a tender document – adaptability, not predictably. Enlightened IT suppliers recognise that client 'lock-in' favours neither the client nor the supplier in the long run.

Outsourcing or insourcing

Shared services in IT are becoming more popular of late, this is partly to exercise more control, and partly to increase resilience in the light of a changing IT landscape and requirements. If an outsourced service fails, the council must find a different way of providing the service – either by taking the service back in-house – if this is possible – or finding a different provider. Either option is likely to be expensive.

Public sector outsourcing of IT has in general not been without its past problems, with many contracts turning out to be insufficiently flexible, more expensive than expected or just unsuited to digital transformation.

A PWC[10] report in 2012 found that four out of five outsourcing contracts had to be renegotiated and Socitm have had reservations in the past:

> 'We do not think that long-term outsourcing contracts are appropriate against a backdrop of a turbulent service environment and rapid advances in IT. The catalogue of failed outsourcing deals and major services brought in-house are testimony to the many lessons the public sector has to learn on how to procure outsourcing.'
> **Socitm2011**

Yet IT outsourcing can be effective for councils, if contractual arrangements are well-designed, and if the past problems are recognised. Past issues have often been to do with a lack of understanding from both suppliers and from public sector clients, more than difficulties with the technology itself. For example:

- suppliers underestimating the complexity of and the rate of change in the local government sector, and therefore the need to be able to accommodate (not stop) future change
- the public sector believing that the private sector can simply absorb transformation, business and IT risk, at no additional cost
- overcomplicated contracts, over-engineered specifications, or misguided methods as a result and in order to measure contractual performance.

Despite the problems, IT outsourcing will continue to have a growing role in the provision of IT for local government, albeit that some solutions may in practice be 'cloud hosting' or partnerships with joint ownership of trading entities delivering outsourced services. However, the way in which outsourcing is used has to be more flexible and more judicious than has been the case in the past.

This includes recognising that IT is a strategic asset, not just a utility, and that total IT delivery outsourcing, especially if there are issues with the current service that may not be fully understood, may not be sensible.

Equally however, councils need to take care when choosing to in-source IT delivery. An in-house IT team can be lower cost and more flexible in theory than an outsourced service, but the reverse can also be true. It can seem like a safer option to grow internal capacity, especially in the wake of an outsourcing problem, but there are trade-offs.

For example, there can be significant overheads and risks in bringing a service back in- house, and with many new cloud, and more flexible outsourcing options, all but the largest councils will need to consider all the options available. It may be better to work in partnership with another council or only bring specific services in-house.

Benchmarking and market testing can help to ensure that an in-house service does not become inefficient or out of touch with technology developments in the marketplace.

Care should be taken however to avoid conducting 'pseudo tendering' exercises where the private sector is asked to respond to apparent service requests, but actually the intention is only to gain sufficient data to justify a continuing in-house provision. This is poor practice and will alienate suppliers in future if this tactic is suspected. There are many paid-for IT benchmarking services available.

10 www.pwc.co.uk

Allowing the in-house provider to compete with other bidders is acceptable, provided a fair and objective comparison can be made between the bids. This can then ensure scrutiny and transparency to demonstrate that keeping an IT service in-house is evidenced and the commissioning criteria of the project are met.

Openness about intentions with suppliers can help to ensure that private sector suppliers are not deterred from bidding because they think the incumbent in-house provider has an advantage.

Service quality and value for money are often reasons councils are returning their IT services in-house, and it can be a temporary solution when an IT contract has come to an end and the council does not wish to extend or retender it at that point, or if a supplier goes into liquidation or is unexpectedly unable to deliver.

Councils may also feel that they are stuck with an inflexible contract and supplier unable or unwilling to adjust, the 'b' team on the ground, with poor performance and little evidence of improvement planning.

Some of the benefits of insourcing, listed in the Association for Public Service Excellence's (ASPE) 'Insourcing: A guidance to bringing local authority services back in-house'[11] include:

- increased service performance and setting new targets
- stronger links and responsiveness to local policy and agenda
- improved service user satisfaction with IT provision
- weak supply market and a desire to respond locally
- increased flexibility to deliver new services and IT solutions
- more integrated and joined up IT services which have been fragmented
- fairer employment terms and conditions and workforce development.

Liverpool City Council brought its IT services back in-house in 2014, with an anticipated saving of £30 million over three years.[12]

Sole reliance on 'in-house' operations to deliver their IT functions is today rare, and the value of outsourcing contracts signed by UK councils in the first half of 2016 increased by 84 per cent , to £684.9 million, with IT deals representing the largest proportion of outsourcing contracts (61 per cent or £417.8 million).[13] This is despite a dip in the value of overall public sector spend.

Investment in IT continues to be a major feature of contracts, as councils look to private sector partners to help them deliver service transformation in the face of ongoing budgetary pressures.

11 http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/insourcing-a-guide-to-bringing-local-authority-services-back-in-house/insourcing-a-guide-to-bringing-local-authority-services-back-in-house/

12 Colin Marrs, "Liverpool insourcing to save £30m", Publictechnology.net, 20 October 2014

13 Source: The *Arvato UK Outsourcing Index* quoted in LocalGov

Summary of pros and cons of outsourcing		
Advantages	**Disadvantages**	**Risks**
• An outsourced supplier may be able to achieve savings that councils cannot achieve themselves. • Savings can be built into the contract price and any gain sharing arrangements.	• Time taken to procure a supplier could delay the achievement of savings. • Cost of the procurement process will reduce the net saving to councils. • Any profit margin required by the supplier will reduce the net saving passed on to councils. • The cost of managing the contract will reduce the net saving to the council.	• Supplier unable to achieve expected savings – performance may decline as the supplier cuts other costs and the supplier may wish to pull out of the contract. • Savings higher than expected – possible windfall gain to supplier, which may make the supplier less sensitive to payment deductions and therefore complacent about performance. • Council's ability to make further savings if the council's overall financial position worsens constrained by the contractual arrangement. • Savings that should accrue to the client are kept by the supplier, as a result of poor procurement, contract drafting and/or contract management.
• Outsourced supplier may be able to improve quality in a way that the council cannot. • Council able to specify quality in the contract and to use contractual mechanisms to ensure performance.	• Council loses direct control over quality.	• Contractual mechanisms do not create the right incentives to ensure performance. • The council manages the contract poorly so that the supplier does not perform. • Ability to make further improvements in quality constrained by the contractual arrangement. • Ensure change control is embedded into the agreement.
• Introduction of external expertise	• Loss of in-house expertise and knowledge of the existing systems.	• Council is unable to manage the contract properly. • More difficult for the council to bring the services back in-house should it wish to do so in future. • Council unable to understand its own responsibilities, including statutory functions.

Five councils from different parts of the country agreed a 'revolutionary' procurement deal in 2016 in a bid to save more than £50 million over nine years.

The joint deal will see these councils – Hart District Council, Havant Borough Council, Mendip District Council, South Oxfordshire and the Vale of White Horse District Councils[14] – use their collective purchasing power to outsource a range of corporate and facilities management services including IT.

14 https://www.local.gov.uk/sites/default/files/documents/read-case-study-a78.pdf

Many councils are also developing alternative approaches to service delivery beyond the shared service and outsourcing models. These include, social enterprises, charities, 'insourcing', the opposite to outsourcing, and the increasing use of local authority trading companies (LATCs) which can also provide revenue streams for councils.

These are often designed to create more jobs locally and ensure risks and benefits are more directly managed within the public sector, whilst enabling delivery of IT solutions to be less constrained by internal council practices and governance overheads.

Learning lessons from other councils and IT outsourcing or in-sourcing projects is essential if an outsourcing project is to succeed. External independent advice can be helpful unless the experience already exists within the council. Sharing best practice, such as project and contract documentation, MoUs, business cases, etc is helpful, and much can be obtained on the internet or through professional local authority networks and the LGA:

- case studies on LGA and other's websites
- trade press
- previous experience and the experience of other departments within the council with similar IT projects run by bidding suppliers
- other public sector organisations, PBOs, formal and informal networks (eg NAG) willing to share information.

Key message
There are many factors to consider in deciding which IT services to outsource and which to retain in-house. Part of this is to learn from lessons from the past, but also to look to the experience of other councils, many of which have innovative and successful arrangements.

Councils should
Look at their procurements on a case-by-case basis, with an open and objective view when considering which alternative approaches could result in cost savings and IT improvements.

Making space for innovation

It is wrong to assume that innovation to support digital development requires innovative technologies. Digital innovation can be achieved using existing and proven technologies, such as social media, mobile and flexible working technology, smart phones, apps and more.

Councils have a long history of applying technology in innovative ways and of leading public service change. Significant digital innovation and change exemplars in key areas such as social care are outlined in the LGA publication 'Transforming social care through the use of information and technology'.[15] Examples include the use of wearable technologies and sensors in homes to support independent living, IT to control street lighting, and regulating refuse collection and the use of online services such as Skype that enable families to keep in touch with older lone relatives reducing the problems of isolation.

What is required, is to change approaches to IT procurement and technology implementation, to allow space for innovation in how technology is used. This is not about being creative by customising standard solutions. This might include for example, councils working with start-up IT companies offering potentially new and innovative solutions but which would be a risk to adopt as a core service.

IT procurement specifications and evaluation models should also recognise that it is not necessarily feasible or even desirable to get everything 'right first time'. A healthy attitude to failure and risk helps to ensure capacity and tolerance is included in procurement projects to adjust and to adapt, after technology solutions are procured and implemented.

15 https://www.local.gov.uk/transforming-social-care-through-use-information-and-technology

Discussing this with prospective and existing suppliers in advance will help to ensure they understand the desire for innovation as a contract develops, and how this would be funded (or time created) by both IT client and suppliers.

One of the challenges that faces councils procuring IT to support innovation, lies in not just the risk of problems emerging, or wasted investment, but the fear of scrutiny. A blame culture does not sit well alongside innovation, especially the innovative use of technology. This often manifests itself in a fear of misguided external scrutiny, by the public, pressure groups, the press, business with vested interests or political scrutiny and challenge. Much of this stems from a valid concern about the good use of public funds, rather than from 'point scoring', but it can result in 'playing it safe'.

For innovation to flourish, consideration needs to be given to how the council nurtures experimentation, within boundaries that protect public interests and taxpayers' money. This means that IT teams need to avoid protectionism, real or perceived, over technology use and acquisition, and encourage leaders to be bold when necessary, embracing change, new ways of working and new technologies.

At the same time, councils should see IT less as a support service, and more as a source of innovation, business change, customer service improvement – a risk perhaps, but one to be embraced, not avoided.

Key message
Innovation through IT is often talked about but hard to deliver, either because time and money does not allow or because it is seen to be about 'innovative technology', rather than innovation using technology. Innovation need not be expensive, but it does require cultural change that encourages and supports experimentation and is prepared for some mistakes to be made.

Councils should
Have an understanding of where larger, standard technology solution providers can be complimented with smaller, low-cost, open source, even 'throw away' tools and technologies.

Have a healthy attitude to failure and being less risk adverse can lead to capacity and tolerance being included in procurement.

Engage with the market early enough for innovative solutions to be considered.

Co-production and co-design

In the past, the IT department would procure (or build) technology solutions. This would follow a typical 'waterfall' method of establishing requirements, turning these into a technical specification, and then seeking responses from the marketplace to those requirements. It would then, typically, be the IT department undertaking the necessary evaluation of supplier responses against pre-agreed requirements.

This 'non-agile' approach carries significant risk in the misinterpretation of requirements along the way, either resulting in the wrong solution being implemented in terms of the expectation of the user, or the need for costly adjustments being made later. It also tends to take longer than agile methods, creating cost, risk and uncertainty for supplier and IT client alike.

A better approach in the development of systems, and in tendering processes, is to work directly with the end user of the technology or systems being procured. This 'co-design' and 'co-production' is a typical part of agile methods.

Ensuring adequate involvement of a range of interested parties improves the understanding and communication of requirements, and should also include the ability to adjust during the process of procurement and implementation. This is a typically fast, not a slow process.

It also reduces the problems of 'hidden IT' in departments, called 'shadow IT', when attempts are made by departments to avoid using the central IT department who may be seen as a blocker, or just too slow or out of touch.

A typical IT procurement we may require co-design and co-production with:

- legal advisers and procurement specialists
- finance, HR and other corporate professionals
- digital and specialist technologists
- line of business teams representing the end users interests
- end users themselves – whether citizens, partners, or employees.

Pre-procurement, councils should consider:

- co-designing online services with citizens, suppliers and business stakeholders, so new systems are built to reflect their needs
- redesigning processes with service owners and users, before they go online rather that and inform attempting to automate existing manual processes
- rethinking policies for online delivery where this is possible
- adopting new software development methodology eg 'agile'
- demand management opportunities
- the application of the Local Government Digital Service Standard.[16]

Key message
'Co-production and co-design' in procurement projects, coupled with agile methods, brings significant advantages, such reducing risks for that outcomes do not meet expectations.

Councils should
Structure their procurement projects to allow a range of stakeholders to be involved early in the process without slowing up production or compromising the primary objective.

16 http://localgovdigital.info/localgov-digital-makers/outputs/local-government-digital-service-standard/

Procuring together

Procuring in collaboration with other councils and organisations can deliver large cashable savings, particularly in pure commodity IT categories, as this approach can maximise our buying power. But it also allows scarce professional IT and procurement expertise to be shared or pooled, and common streamlined procurement practice to become more commonplace.

This can be achieved without compromising local policies and priorities, but it does require compromise on what should be common IT policies and common It commodity solutions. For example, harmonising IT security policies to allow common tools to be used for mobile and flexible working with data and systems accessible 'on the move'.

Councils with outdated, unnecessarily restrictive or risk averse IT policies which limit the choice of IT solutions and restrict the ability to collaborate, should re-examine their position in the light of digital operating models that now exist in all sectors.

Many councils have already reaped savings by aggregating their requirements for hardware (desktops, laptops and consumables) and have demonstrated some success collaborating on telephony. As a sector, local government should be exploring the best avenues to procure IT that enables staff to work effectively and where interfaces with citizens are improved, whilst ensuring value for money, whichever council and individual and tailored procurement of IT in each councils is unlikely to achieve this.

Collaboration can also identify opportunities to strategically manage supply markets together, influencing supplier decisions, reducing IT acquisition risks and taking advantage of existing frameworks, whilst basing their procurement on the needs of internal users, the citizens and businesses they serve at every stage.

Some themes the LGA will consider for Local Authority Software Agreement V2 (LASA2 - see LASA above) include these aspects and in particular how to secure:

- early and effective IT market engagement, to ensure a diverse and innovative IT supplier base that understands local government better
- delivery of true and open and transparent national catalogue pricing, at the best available levels, including support and maintenance of existing systems
- priorities set for 'generic', 'off the shelf' (OTS) implementations of new systems and plug-in IT connectors for all councils
- further stimulating digital innovation targeting councils, with improved markets for buyers and suppliers of all sizes
- consideration of the IT make-up of future 'line of business' applications, for example looking to expand upon cloud based offerings to tackle the challenges and their related partners
- greater emphasis on plain English pricing/ commercial models – simplifying and making procurement easier, faster and lower risk as a result.

Joint procurement also needs to support the variety of types of shared services that exist, since IT is often a 'make or break' factor in these arrangements. Most councils now have some form of external collaboration or partnership (whether or not a full shared service). This includes shared service models of integrated teams and delivery units, to public/private partnerships which share the benefits and risks of transformation programmes, as well as collaboration purely on joint projects or information and system sharing agreements.

Sharing may take place purely locally, with neighbouring authorities, or with non-neighbouring authorities, between any 'tier' of council (district, county, unitary) as well as across public sector boundaries.

It may take place between county and district councils, between district councils, or between metropolitan borough councils. Shared services may be provided via a joint in-house department or they may be jointly outsourced and shared.

Whatever the model, sharing has become the norm, and aggregation of demand and supply chains with other public services, such as fire, health, police and other, can lead to more efficient IT spend. It also depends on effective joint IT solutions and therefore an agreed basis for collaborative IT procurement, even where one council takes the lead role on IT.

Integrated back office arrangements are most common, with over £643 million of LGA reported savings from shared service arrangements in England, of which IT and digital services make up 5 per cent of reported shared service partnerships. These are listed on the LGA's Shared Service Map.[17]

Findings from the LGA's 'Services shared: costs spared?'[18] report include:

- clear financial benefits to be made from sharing services; savings are achieved through consolidating organisation structures and integrating IT
- as shared services mature and evolve, they benefit from wider business transformation – such as better use of IT and information assets, improved processes and change programmes
- the set up and integration costs for merging services are typically modest, with less than a two-year payback period for all the shared service arrangements
- some shared services companies (local authority trading companies – explained previously) may seek to offer their services to other organisations as well, hence providing an income stream for the participating authorities.

17 https://www.local.gov.uk/shared-services-map

18 https://www.local.gov.uk/sites/default/files/documents/hoople-ltd-herefordshire--907.pdf

Shared services are proving to be more attractive to local government than traditional outsourcing. One of the reasons for this is that each partner council can in principle retain more control over the shared service than over an outsourced service. This of course also has a downside in the risk of constant tinkering with a shared service model that can lead to it becoming unviable.

For various reasons, be they operational, contractual or political, it is unrealistic to expect all local partners to implement the same systems, and therefore some flexibility is required. However, the start of a shared service programme should consider jointly the combined IT estates:

- which IT systems should be combined, with renegotiation of contracts if required
- which IT contracts should be combined, even if the actual physical systems for a time remain run separately
- which IT systems are targets for integration and rationalisation over time, but are not necessarily initial priorities for sharing
- where IT contract variations across the IT portfolios are on a different basis or price and need rationalising to reduce cost and increase flexibility
- which systems can be left as truly distinct and local for business reasons.

In England, devolution is the transfer of power and funding from national to local government. It is important because it ensures that decisions are made closer to the local people, communities and businesses they affect. Devolution will provide greater freedoms and flexibilities at a local level, meaning councils can work more effectively to improve public services through stronger partnerships between public, private and community leaders in their local areas.

The devolution agenda will also benefit and be accelerated by IT collaboration, by:

- using existing IT infrastructure and networks – making effective use of existing infrastructure including the Public Service Network (PSN) and the Health N3 network or equivalent
- finding better ways of identifying individual citizens by adopting a common digital identifier, such as the NHS number
- creating more effective system interoperability and promoting the use of common programme interfaces and APIs that all organisations muse adopt
- developing greater shared technical expertise across the public services
- promoting a greater understanding of the issues around data sharing, including trust and cyber security to ensure these are appropriate and understood, and greater flexibility in the practical application of data sharing principles.

Key message
Collaboration, sharing, aggregation and joint procurement can all save money and reduce risks in IT procurement. They can also lead to better outcomes and greater flexibility than traditional IT outsourcing models.

Councils should
Re-examine their IT policies and practices that restrict collaboration, such as in-data security

G-cloud and the digital marketplace

G-Cloud was set up by the GDS as an IT supplier framework intended to make public sector procurement easier, faster and more effective for clients and suppliers alike (notably cloud solutions).

The Digital Marketplace (previously called 'Cloud Store') is a publicly accessible, searchable database of IT services offered under G-Cloud. The Digital Marketplace procurement processes handle selection and procurement of services without requiring a full tender or mini-competition.

G-Cloud has particular advantages for smaller organisations, such as district councils, providing access to a wide range of solutions, at low tendering cost, with greater competition than would otherwise be possible. Councils can gain quick access to a wide range of different technologies with confidence they have gone through first stages of procurement evaluation. Smaller providers of IT solutions become less invisible, allowing a fair share of market prospects as well as lowering the costs of doing business.

The UK Government procurement framework G-Cloud initiative is targeted at easing procurement by public-sector bodies of commodity information technology services that use cloud computing. The G-Cloud consists of:

- A framework for the transformation of public services, using the power of the cloud. No procurement is necessary these cloud services are ready to buy. All services required to support the migration of services to the cloud including migration and resources services are also included.
- An online store – the 'Digital Marketplace' that allows public sector bodies to search for services that are covered by the G-Cloud framework.

Buyer guidance on how to use the Digital Marketplace can be found online: https://www.gov.uk/government/collections/digital-marketplace-buyers-and-suppliers-information

G-Cloud, is still developing and will not be suitable for all IT procurements. However, it does deserve to be more widely used by councils in particular.

The latest figures on the G-Cloud show sales near £1.6 billion, with just over half of all sales to smaller companies. However, the figures also suggest that local government spends as little as 8 per cent of this figure through the G-Cloud.

Government Digital Services (GDS) established the Digital Marketplace and G-Cloud, which allows buyers easy access to products and services online at the best available price and allows suppliers of all sizes to compete for council contracts online in a transparent fashion.

The Digital Marketplace allows suppliers of all sizes and any geography to compete for public sector contracts online in a transparent fashion; it facilitates easier access for buyers to products and services online at the best available price. The latest government figures show sales through the platform totalling £92 million in 2016, however only 15 per cent could be attributed to local government.

Even though there has been an increase in the use of G-Cloud by local government, some councils are reluctant to use it for a number of reasons:

- they are not convinced that G-Cloud is a valid vehicle for procurement, legally or otherwise
- some terms and conditions of its use are too restrictive, such as the two-year re-tendering requirement
- they already have adequate and proven tendering frameworks to choose from
- concerns over use of cloud services in general, which form a mainstay of G-Cloud offerings.

Cloud solutions can deliver significant benefits to councils, as well as opening up markets to new, innovative service providers. The cloud can reduce total cost of ownership, licensing and management of IT as well as providing flexible arrangements for commodity systems.

In response to lobbying from the LGA and calls from stakeholders and customers, the new G-Cloud framework now has the option for a four year term (2+1+1) and the process has been simplified, improving the search facility.

Key message
G-Cloud can offer quick and low-cost access to pre-tendered digital solutions, streamlining and simplifying the early stages of IT procurement, leading on to negotiations and testing. It is clear that some councils are not fully aware of the options available to them for framework procurement of IT solutions.

Councils should
Ensure that G-Cloud is one of the framework options considered for IT procurement. They should also:

- use enabling approaches already developed including the Local Government Digital Service Standard and the Digital Marketplace
- familiarise themselves with the suppliers terms and conditions as, unlike LASA or Technology Products 2, etc, the G-Cloud contracts utilise the suppliers' own terms and conditions
- be aware that the further competition/ call-off process is quite different from that on other contracts and therefore purchasers should seek assistance if not aware of how to use the G-Cloud.

IT contract management

Contract management is the proactive monitoring, review and management of a secured agreement to ensure that what is agreed is actually delivered or exceeded by suppliers or partners.

Overall councils spend over 90 per cent of their third-party IT spend on less than 20 per cent of their suppliers. Some of the largest savings for councils can come from managing these larger contracts effectively, and research by the LGA has shown that councils could obtain savings of between 3 per cent and 15 per cent on the value of their contracts over the duration of a contract.

Across local government there are examples of well-managed IT contracts which include good relationship management and collaborative working with suppliers. However, there is also evidence that some councils are finding that a high turnover of staff, the rate of change of technology and an overreliance on outside support has diminished their knowledge of existing IT systems and therefore their ability to effectively manage contracts.

As a checklist, councils should ensure that:

- contracts are signed by all parties
- adequate resources are assigned to contract management
- staff given contract management responsibilities are properly trained
- good hand-over notes and training is provided to contract managers by commissioners and procurers
- the supplier's contract management structure is matched in terms of contract management and negotiation skills and/or experience
- the complexities and dependencies of the contract are fully understood
- decision making responsibilities are clear and understood by everyone
- regular performance measuring is carried out
- the contract is reviewed regularly to benefit both parties during its term
- any contract changes are properly documented and the long-term implications understood
- risks are monitored and effectively managed
- ensuring that change control is embedded into the agreement.

Having a complete, accurate and well-maintain register of IT assets, with automated tools for monitoring and reporting, makes it possible to track:

- expenditure with all IT suppliers, monitoring spend patterns
- aggregated spend limits for individual suppliers
- overlapping IT solutions which could be rationalised or combined
- systematic benchmarking data with external comparators
- contract renewal and break points, with advanced warning
- performance levels required and delivered
- event management during the contract lifespan
- documented meetings, key correspondence, and performance reviews.

This comprehensive digital approach can help to ensure more structured review meetings with IT suppliers based on solid data, much of which can in practice be maintained by the supplier, not the council IT client. It is also more likely that early alerts to contract issues beyond performance problems or trigger points will be made early enough for appropriate action and intervention to be made.

For example, ensuring that recurring payments are never made for IT goods or services which are no longer required, or even after a contractual term has ended.

Because key dates and decision points are tracked well in advance, linked to internal decision processes, it is easier to ensure that term agreements in particular do not simply renew without review, with the first notification being a purchase order arriving soon after the termination date.

A systematic digitally-enabled approach to IT contract management can also avoid past practices where information about contracts was held on paper, or only partially electronically or even in held 'corporate memories' – a particular risk with a high level of staff turnover.

Harrow and Brent councils use a contract segmentation calculator to assist in identifying whether a contract is major, operational or transactional using the criteria set out in the table below. According to the designation of the contract the governance approach is determined, ie:

- Is a contract manager and a contract sponsor required?
- Is monthly monitoring of contract performance required or should there be regular service reviews?
- What areas are covered in the formal contract performance meetings?
- Whether there should be an annual partnership review.
- Requirement for a contract risk register.
- An exit plan.

Harrow and Brent council's contract assessment template		Questions	Answers
Criticality of service	Impact	What would be the customer impact of service failure?	• Low impact • Localised impact only • Medium impact • High impact
	Statutory	Does this contract directly allow the council to meet its statutory obligations?	• Yes • No
	Reputation	If the contract fails to deliver, what would be the reputational damage to the council?	• Low • Medium • High
	Data	Does the supplier retain or process data on behalf of the council?	Yes No
	Corrective action	How quickly can supplier failure be corrected by internal resource or by readily available market alternatives?	• Quickly corrected • Internal resources and/or limited supplier input • Considerable internal and supplier effort required
	Complexity	How specialist is the service being delivered? Is any specialist knowledge or experience required?	• Non-essential • Some specialist knowledge • Specialist knowledge • Complex service
	Alternative sources	How many other suppliers are there in the market place that can provide this service/product?	• 1-4 • 5-9 • 10+
Strategic value to the council	Support of strategy	Does the delivery of this contract support the council's strategic objectives?	• Indirectly supports council achieving strategic objectives • Contributes to council achieving strategic objectives • Essential to council achieving strategic objectives
Commercial	Spend/revenue	What is the total contract spend, throughout the council?	• £0-49,000 • £50-99,000 • £100-499,000 • £500-999,000 • Above £1 million

Strategic supplier relationships

The local government IT market is, in general, dominated by a few large suppliers and many buyers, often geographically dispersed. This, coupled with a large concentration of spend across a large number of smaller suppliers, and a lack of transparency of spend in some cases, can lead to wide variations in the prices paid by councils for the same goods and services. In addition, suppliers are frustrated that they do not always have the opportunity to demonstrate innovative goods and services at an early enough stage in the commissioning cycle.

Improved coordination and communication amongst buyers locally, regionally and nationally is crucial to better the relationship between councils and these large suppliers. Buyers should work with suppliers to address issues ranging from price to service – and the key to understanding how best to move forwards is the effective benchmarking of these metrics.

As a sector, the benefits of becoming a more intelligent IT client and better understanding its needs individually, and as a group, are significant. To realise these benefits the LGA has embarked on pilot projects with a number of strategic IT suppliers covering network connectivity and software. The project will help us to form a fundamentally different relationship with suppliers that will focus on their ability to be innovative, add value and be transparent across the whole of local government, rather than individual contracts.

Strategically managing supplier relationships at a national level allows local government to address key markets with 'one voice'. Councils should, where practicable, join with their wider public sector partners.

A strong relationship with suppliers can help to ensure better prices and more flexibility, and the LGA is piloting an approach to strategic supplier relationship management with some key IT suppliers to the sector.

Market forces naturally dictate resistance to anything that constrains or reduces revenue, and existing contractual commitments often make it very difficult to contemplate any renegotiation regarding the services bought, price or early exit options, without penalty clauses coming into play. Many suppliers have a formulaic approach to contractual terms and conditions, and any variation is seen as a risk – often unquantifiable.

Therefore, to secure the flexibility required by digital, councils need to work closely with the industry and with individual suppliers, to understand their position in terms of risk, revenue protection and growth. This is best achieved outside a tendering exercise, building a relationship and an understanding of the council's challenges and ambitions, and defining which risks are best retained by the council and which are best managed by a supplier.

Elements of delivery clearly need to be defined precisely enough to ensure a predictable revenue stream, but where flexibility can also be allowed for innovation and change in the future. Both councils and IT suppliers may understandably resist changes to standard 'terms and conditions' (T&Cs). Often, any variations need the supplier team to get internal approval with an IT holding company, perhaps not in the UK, which can be very difficult to achieve.

In these circumstances, council IT client teams need to work closely with supplier sales and accounts teams to establish whether there maybe scope for side letters, adjustments in contractual terms, without compromising either council financial and procurement regulations, or the supplier's own internal rules, but ultimately retendering may be required to force change.

Councils are expected to be able to define precisely what they want to buy, to write it down, and to ensure that every supplier is treated in exactly the same way, irrespective of the fact that they may be very different. Councils will have internal procurement regulations, such as standard terms for limited liabilities.

The whole process is governed tightly by processes, principles and policies, enshrined in EU law and in local 'Standing Orders' on contracts and 'financial regulations', designed to ensure probity, transparency and unquestionable objectivity in how contracts are placed.

Holding pre-tendering open days for potential suppliers is good practice and can help to avoid these problems. This approach allows discussions to develop that can enlighten the IT client in terms of market maturity and the best approach to tendering, and can also help prospective suppliers to understand, question and challenge the needs and expectations of the council in a constructive way.

Starting with the outcomes required is essential before approaching prospective suppliers, such as the type and style of service delivery, how benefits can be achieved and the preferred approach. Starting with a discussion about T&Cs or price is not wise. The priorities (as seen by local government for suppliers and therefore the expectations which should be part of IT procurements) include, for example, the ability to:

- access the service or system flexibly – any device, any time, any location
- scale up or down in volume, and to pay more or less pro rata
- be transparent in contractual arrangements and price, within reason
- amalgamate contracts, for example with other councils, without fear of penalty
- share contracts with other public sector partners, again without penalty.

These factors help to avoid IT 'white elephants', or the unintended creation legacy IT problems in the future. Transparency will also mean that suppliers will find it harder to provide the same IT solutions to different local government organisations on fundamentally different terms, such as price.

Improved knowledge of the IT marketplace and the prices being secured by other councils for similar IT solutions, can help to reduce the fear and uncertainty around changing from an incumbent supplier; a fear which can sometimes be exploited by some suppliers seeking a contract renewal by exaggerating the costs of change.

Key message
Strategic relationships with IT suppliers, nationally, regionally, and locally can help to deliver better value from contracts, in terms of price, performance and in the flexibility to accommodate change when required. But this depends on time spent understanding both the supplier and client perspective, to establish where greatest value can come from, with acceptable risk.

Councils should
Where practicable, embed and spread the reach of this approach throughout the regions by working in collaboration with:

- public buying organisations (PBOs)
- existing networks (Socitm, CIO, i-Network for instance) in both IT and procurement
- the wider public sector generally.

In tandem the LGA is piloting an approach to strategic supplier relationship management with some of our major IT suppliers.

Renew, renegotiate or retender

Whilst there are circumstances where a contract cannot be renewed, there is often a choice that can be made. A strategic approach to IT portfolio management should make the choice of whether to renew, retender or to renegotiate an IT contract clearer, and not simply dictated by contractual limits.

The Public Contracts Regulations 2015 helped reduce uncertainty arising from the Pressetext case which found that changes, eg extension or renewal, to a contract once awarded, may require re-tender in some circumstances.

The regulation states that contracts may change without re-tender if:

- it's a minor change that does not affect the nature of the contract and does not exceed 10 per cent (15 per cent for works) of the initial value of the contract
- minor changes are explicitly provided for in the contract
- a change of contractor would not participate or involve substantial inconvenience (limited to 50 per cent of the original contract value*)
- the change is unforeseeable (limited to 50 per cent of the original contract value*)
- the supplier has been involved in a merger or takeover.

*The council must, in these cases, submit a notice of modifications to OJEU.

Regular re-tendering is designed to reduce subjectivity or fraud, and to increase value by market testing. However, it is important to avoid creating unnecessary restrictions to modernisation and improvement because of the cost of change. This can arise with deeply embedded IT solutions, perhaps where these are integrated with other technologies, or widely used, popular and business critical. This can make the cost of change high, along with the associated risks of change, and should therefore be considered contract renewals.

This constraint can be reduced by careful and modular design of IT applications which allow safe and easy uncoupling of technology components for upgrades and data independence (data not locked into proprietary systems by formats), for example, with due control of customisation and the be-spoking of systems.

Care in IT procurement is needed to avoid:

- being forced to re-tender because of poor IT planning, design and weak contractual terms, or where internal 'Standing Orders on Contracts' that do not reflect a fast-moving and complex IT marketplace
- being manipulated by suppliers eager to secure a contract extension by exaggerating the risk and cost of change (or the value they can deliver), and on terms that are most beneficial to them, without market testing evidence.

Councils sometimes find themselves experiencing perpetual licensing issues or entering a procurement process too late. Once hardware and/or software contracts have been commissioned and to avoid being locked into legacy systems, councils should plan ahead for the next procurement cycle of commissioning to maximise openness and readiness. This will give enough lead time for councils to make un-encumbered decisions when choosing new hardware and software.

When looking at the options of re-tendering, re-negotiating or renewing a contract, it can be helpful to start with a simple definition of what is to be achieved – writing down a few straightforward paragraphs of the outcomes of the procurement project that is desired, as well as taking early legal and procurement advice on options and risks.

Key message
Managing IT contracts is much more than holding review meetings and monitoring performance. It should lie at the heart of delivering best value and anticipating intervention and action, such as retendering or renegotiation.

Councils should

Review contract standing orders to ensure they reflect the complexities of the IT market.

Plan IT related spend and begin the process early.

Put in place robust contract management systems that enables measurement of outcomes required and helps identify opportunities for regeneration.

Value for money and Digital Innovation Checklist

Each new procurement provides an opportunity to consider how value for money and digital innovation can be incorporated into specifications, the evaluation of tender documents and the contract itself. Therefore, when procuring technology services, councils should consider:

1. Transformation of services – supporting new design and delivery that make service more digitally-enabled (self-service, automated, citizen/user defined, lean processes, adaptable, open APIs etc)
2. Plan ahead – anticipate the need for change, renegotiation and new contract terms as well as new tendering exercises – ie not being reactive.
3. Ensuring visibility and a category management approach to procurement with joint teams of professionals involved as required
4. The use of frameworks especially in anticipating future collaboration
5. Open contracts that allow any form of public service sharing of the contract later or the margining with other contracts with the same supplier in future charted service partnerships
6. The use of negotiated stages where possible to increase supplier engagement and dialogue
7. Keeping specifications simple and resisting over-engineering for future unknown risks or opportunities or support
8. Adopting standard corporate payment methods and processes (electronic end to end) avoiding local arrangements in specific areas such as varying payment terms
9. Cost over quality evaluation price evaluation models being adopted and shared
10. Specific sector interests where appropriate – health and social care, schools and academies, police and others
11. Ensuring the avoidance of any bespoke or customised systems, either in terms of hardware integration or software implementation for example
12. Clauses to ensure interoperability and data sharing as standard, using common and referenceable data standards and open data commitments
13. Reporting of performance in the contract – automatically, real-time, no manual intervention, dashboards and simple metrics, trigger points, online invoicing, etc
14. Contract management (to tackle innovation, performance, benchmarking, breakpoint assessment, escalation and problem management). This is both time as well as capacity and commitment
15. Information assets – how data is handled, open data standards, reporting, sharing, linking
16. Accessibility and inclusion – is the service easy to access, intuitive, easy to link when necessary, dependent on internet speed
17. Ensure social value is defined and included.
18. Consider wider commercial risks and opportunities and how these should be shared, check hidden cost in your commercial model, eg implementation, economies of scale benefits for both the council and suppliers
19. Benefits of longer term partnership arrangements which are built on trust, openness, reference-ability, joint risks and reward
20. Consider models of delivery, including shared service models
21. Compliance with both EU and UK legislation and organisational Contract Standing Orders (ensuring the latter are fit for purpose in a digital model).

See Appendix A: 'Category by Category Analysis Matrix'[19] for more detail

19 https://www.local.gov.uk/sites/default/files/documents/Appendix%20A%20National%20Technological%20and%20Digital%20Procurement%20Category%20Strategy%20Category%20by%20Category%20Analysis%20Matrix.pdf

Theme 2
IT as an enabler

Commercial councils

Commercial vs 'business-like'
As councils face further cuts, with the need for greater transparency about how remaining money is spent and with growing demand for services, all are having to become more business-like. This includes implementing further tighter controls over resources and overheads, demonstrating effective performance management, achieving higher levels of revenue collection, securing better utilisation of assets, and knowing which activities generate the most efficient and productive outcomes for citizens.

Council income in the past has been made up largely of revenue support grant, council tax and business rates. Seeking new revenue is in response to the gradual removal of government grants by 2020. It is unlikely that increasing councils' efficiency, productivity, or revenue from council tax and business rates will fill the gap left by the loss of grant, so councils are striving to secure new revenues to fund essential services.

Whilst some councils are moving to a 'commissioning only' model for the delivery of services, and so minimising all other activities to reduce costs and overheads, others are setting up trading entities to deliver public services directly or on behalf of other councils, becoming truly commercial and operating as a business, not just becoming 'more business like'.

Local authority trading companies (LATCs)
An increasing number of councils have set up local authority trading companies (LATCs). Councils must establish a company if they wish to carry on trading activities for profit. Any profits made by a wholly or partly-owned company can then be reinvested in other council services.

LATCs typically develop new and innovative services to sell, adopting new models for supply chain management, building products and solutions that can be sold to the private sector as well as to the public or to other councils at a future date.

Where a council has statutory responsibilities to provide specific services to individuals, these services cannot be provided on a commercial basis. Guidelines, and case studies can be found in Enterprising Councils - Getting the most from trading and charging[20]

According to Localis's March 2015 report Commercial Councils[21] more than half of councils (58 per cent) own a trading company, and at the rate it is increasing, full coverage by 2020 is a possibility. Over a third (38 per cent) of councils are using entrepreneurial methods in IT.

They also offer other advantages that private sector suppliers do not always have, such as:

- expertise in a specific areas of public service provision that private sector suppliers tend not to provide
- financial advantages – exemption from business rates if the supplier is a charity

20 https://www.local.gov.uk/sites/default/files/documents/enterprising-councils-201-9cf.pdf

21 http://www.localis.org.uk/wp-content/uploads/2016/02/Localis-Commercial-Councils-FINAL.pdf

- dedication to a particular public service objective, if the supplier is a voluntary organisation
- strong links to and understanding of communities or stakeholders
- guidelines outlined in Enterprising Councils – Getting the most from trading and charging[22] document
- legal advice, to be sure their evaluation processes in the procurement cycle meet UK and EU regulations.

In addition to securing new revenue, there are also other benefits to LATCs, such as reducing risk (or deciding on acceptability of risk from change), improving service resilience, retaining scarce skills and capacity, ensuring local control democratic oversight as well as being able to determine priorities more dynamically.

The clear separation of commercial practice from traditional council oversight and overheads has implication not only for governance and political control, but also in the way LATC services operate and the impact on IT procurement.

For example, commercial entities may be less tolerant of corporate overheads or common IT architectures that offer a wide benefit but potentially local costs. They may desire optimal commercial IT solutions for individual sold services and do not want to be constrained by a council IT strategy from the past.

There is also likely to be requirement for specialised technologies that underpin commercial practice, in areas such as market analysis, pipeline management, commercial risk assessment, business planning, financial analysis and reporting, Customer Relationship Management (CRM), marketing tools, performance targets, sales and pricing technology.

Council departments operating commercially or building business services will want the best possible technology infrastructure, communications tools and systems, so as to be as efficient and competitive as possible.

The standard technology offerings and methods from council IT teams may not be considered suitable and may be resisted. IT leaders managing procurement projects will therefore need to adapt, whilst not compromising transparency, probity and the need to ensure and demonstrate best value in the use of taxpayer's money.

Becoming more commercial is also not without other risk and complexity. For example, complete independence of IT provision for trading entities can add significantly costs and risks. It also requires new internal skills, and there are potential implications for the ethos of public service, as well as the possibility of neighbouring councils competing against each other for scarce resources which may not be in citizens interests.

Dilemmas may also arise in the desire to support small business growth locally. For example, as a result of developing their own services, councils could be in direct competition with those same local services, or even be taking advantage of their own scale, capacity and some written down costs, to secure competitive advantage.

Councils therefore need to consider, these factors in their commercial policies and strategies, especially in respect to technology services.

Using technology assets for commercial benefit

Effective technology procurement practice will help deliver better outcomes in terms of the right solutions, at the right price, efficiently delivered and responsibly managed. But it can as well offer further benefits, as councils become more commercially aware and look to create new revenue generating opportunities.

Digital assets and electronic information can be instrumental in ensuring 'money due' is paid by citizens (council tax, fines, car parking, services bought) and support creative ways to generate new income from new services and sources.

22 https://www.local.gov.uk/sites/default/files/documents/getting-most-trading-and--263.pdf

This requires greater commercial skills than many councils currently have, but a start is to ensure contracts are not a barrier and that commercial opportunities can be foreseen. It requires understanding where commercial value could lie in technology and data assets, and ensuring this is maximised in the way contracts are designed.

Suppliers can assist in this, helping to generate new value and income for councils which helps to justify the supplier contract the first place, so encouraging innovation.

Councils possess a number of telecommunications assets that can potentially be exploited to achieve new revenue generation. Councils have permitted the location of mobile phone masts on the roofs of their own properties both to obtain income and improve the mobile connectivity. Fibre and wireless/small cells also provide opportunities for additional revenue generation to be achieved.

London Borough of Harrow has established a procurement framework to be used by other public bodies to appoint suppliers of small cell equipment and save time and costs on agreeing placements of individual cells. The framework[23] is ready-made, simple and quick for councils to access, delivering value for money and enabling councils to swiftly install microcells on council buildings.

The advent of 5G technology will present further potential revenue opportunities for councils, through concession contracts, such as leasing space on existing assets for technology suppliers to install wireless equipment enabling revenue generation.

To consider these types of opportunity, councils need to:

- catalogue their assets with a view to monetising these: eg small cells, rooftops, ducting, etc to enable an easy and compliant route to market to exploit their assets as well as improve access to better connectivity
- aim to use these assets to subsidise connectivity for residents and local businesses to underpin wider local economic regeneration
- seek to utilise these opportunities for revenue generation.

This can also be used to underpin wider work on economic regeneration via subsidised arrangements for residents and small businesses – assisting 'channel shift' as it makes it easier for citizens and businesses to do their business with the council online.

A number of councils have exploited the use of lampposts for wireless equipment to be installed[24] and small cells offer a number of additional opportunities such as buildings and open spaces. Some councils also have considerable lengths of ducting installed in their highways or for CCTV and this could be similarly exploited.

Councils will need to continue to explore the opportunities that 5G presents for further public service transformation and revenue gain, including the wider utilisation of smart infrastructure/internet of things (IoT) and improved connectivity for local residents and businesses.

The London Borough of Camden initially led a group of 16 Councils across London and Kent in a collaboration on the implementation of a wireless concession contract. Twelve councils have gone on to individually secure deals. For Camden this will provide a wi-fi network in areas of high footfall where residents, businesses and visitors will be able to access the council's online services 24 hours a day, 365 days a year using devices such as smartphones, laptops and tablets. This has subsequently been rolled out in other areas including Manchester and Birmingham.

https://www.local.gov.uk/generating-income-4g-internet

23 http://www.harrow.gov.uk/info/200148/selling_to_the_council/1849/procurement_frameworks

24 https://www.local.gov.uk/generating-income-4g-internet

In all these examples councils need to ensure that roll out of such telecommunications infrastructure is not undertaken in a piecemeal fashion. Collaboration across public service boundaries in an area is key, and suppliers should be encouraged to collaborate as well, to reduce 'not spots' of poor broadband or mobile coverage, especially in rural areas. This could include an enforced 'handoff' of mobile users in areas where a supplier doesn't have coverage to one that does.

Monetising Data Assets

Great care is needed in considering the commercial value of data. The government has been calling for the public sector to share its data with other organisations under the open government licence, which allows data to be shared, adapted, used for other purposes or commercially exploited with few limitations.

In addition, councils deliver over 700 services to their citizens and businesses and the systems supporting these services hold a wide range of data and valuable information. As councils increasingly use the internet of things (IoT) technology and use other tools to collect, utilise and release their data openly, opportunities to make the most of data with other organisations or individuals with the possibility of generating revenues will increase.

Councils should ensure that:

- the technology is ready; the keys to unleashing the power of data are organisational culture and relationships with partners
- information governance helps public bodies share data, not block it; citizens are increasingly intolerant of services that are not joined up
- staff and politicians embrace unparalleled openness across the council, with analytic tools available
- there is acknowledgement that the more data is opened up by default the greater the benefits secured will be for local people, but with strong internal information management policies and practice to protect sensitive data
- they shift culture from the fear of sharing data and the possible negative publicity to the council if the data is misused or lost
- they move corporate IT systems to adopt national information standards and open data practices to facilitate easier data discovery, aggregation and re-use by data consumers. IT procurement will need to respond to the changing business requirements in commercial council services, where there will be less tolerance of inefficient, outdated, unresponsive technology solutions. This will create new challenges for council IT teams in how they select and put in place contracts for optimal IT solutions that the commercial business units they support require, supporting an entrepreneurial culture without compromising a coherent corporate IT architecture or public service ethos.

There is an opportunity for councils to better use local data from across different service areas to reduce cost by:

- identifing and supporting citizens 'at risk'
- better planning resource investments
- combining with other agencies to work together on their shared customers more effectively, eg Troubled Families, democratic engagement on topics such as planning and in many other areas.

Data is an essential ingredient to support older people to live independently. It identifies those most at risk of falls, illness and isolation, but can also match service to need – the right intervention at the right time. But it means joining up information from diverse sources such as social care, GPs, neighbours, charities, community groups and health services. That depends on effective information management practices, skills and policies which shift health and social care funding towards prevention.

Councils are keen to encourage innovation and grow the local data economy, stimulate new businesses and increase employment. This may be achieved by releasing all raw data for free in an open, easy to use, machine readable format. Most open data within local government is being released under v3 of the open government licence.

This approach will allow innovators to invest their time and effort to create new products using this and other data.

On occasions, local authorities may find it necessary to make a modest charge to cover any complex, special or difficult preparation costs.

The LGA released three eLearning modules[25] on the area of open data publishing last year.

Any commercial value to be extracted from data requires corporate information management systems across these functional areas to adopt national information standards facilitated by Cabinet Office and the LGA. These support data linking and re-use in other activities. This can include:

- exploring the commercial opportunities of the data they currently produce or are easily able to produce to determine whether it has any value
- aiming to work collaboratively with other councils and public sector partners to develop consistent ways of working and securely sharing data.

The LGA coordinates many projects each year, working with councils to promote sector-led improvement to progress information management and transparency[26]

Clearly selling anonymised personal data by councils for commercial gain is not allowed by law and would not be tolerated by the public.

The failure of the Care Data initiative was as much to do with public trust in health data being used by Google as it was in failing to persuade health and social care professionals that data was being collected and processed appropriately.

The success of digital government will depend on the public's trust in councils and government agencies collecting, storing, sharing, using and disposing of personal data with due care and protection.

Key message
IT procurement will need to respond to the changing business requirements in commercial council services, where there will be less tolerance of inefficient, outdated, unresponsive technology solutions. This will create new challenges for council IT teams in how they select and put in place contracts for optimal IT solutions supporting an entrepreneurial culture without compromising a coherent corporate IT architecture or public service ethos.

Councils should
Consider generating revenue by providing added value services on top of the raw data that they have already released.

Internet of Things

The internet of things (IoT) is where objects are connected in order to share their data and insights with each other and with people, to help make smarter decisions. It has a specific relevance here because IT standards are still emerging and it will be important for councils to be aware as they procure and use IoT sensors to ensure patchwork does not result unintentionally.

IoT provides a range of opportunities whereby councils can achieve savings by using remote sensing to report on defects, blockages or information, for example, rather than having to manually obtain the data. The IoT will also potentially improve service quality such as providing remote checking of the wellbeing of elderly citizens.

25 http://about.esd.org.uk/news/data-publishing-and-data-standards-elearning-modules-local-government

26 http://www.local.gov.uk/local-transparency

It is a new rich source of data, with significant new information management requirements and analysis challenges. It foretells a future where machines may become 'customers' acting on behalf of communities and citizens, as well as 'managers' determining priorities, making judgement and allocating work rotas and rosters.

Examples of the internet of things include;

- digital sensors that can be embedded into almost any 'thing'
- almost every electronic device that has processing power
- those devices that can be networked together through the internet.

The goal is to create services that respond directly to how people actually live their lives here and now, rather than on the basis of behavioural data gathered months or even years ago.

Digital government is no longer about one-way communication, but about collaborative exchanges built upon feedback from citizens and businesses. These kinds of benefits are now available through new IoT applications. However, there are legitimate security and privacy concerns and perceptions to consider.

Citizens value privacy, but are willing to share personal information with councils when they see a tangible benefit. With IoT it may be less clear that personal data is being collected. The new British Standard PAS 183 Guidance[27] on the sharing of data and information services for smart cities can be used when designing the implementation of IoT services in councils.

The internet of things is not without its risks as well, as the recent shut down of many major websites including Twitter, for example, was reported to be caused by hackers being able to access data through household items that have IoT capabilities.

Smart streetlighting and sensing can enable a council to gather and share information about the places that experience the highest levels of traffic, noise, accidents or air pollution. By tracking transport patterns in real time, the number of buses (and their destinations) can be adjusted across a rush hour to meet citizen's real-time demands, or traffic rerouted or managed through intelligent systems (eg traffic lights). Real-time monitoring of air quality means it is possible to take action immediately when there are risks for vulnerable people. Opening the data means that citizens can adjust their own choices too.

Knowing how to procure IoT solutions effectively will be important, with adoption of standards for privacy, data management and interconnectivity.

Key message

The internet of things is a powerful new tool for councils, providing a range of new citizen data and information about how community resources are used. However, standards are needed to be able to make the intelligent connection between data sources, as well as to protect privacy, confidentiality and security.

Councils should

- Consider where IoT technology can provide savings to the council.
- Ensure information security is built into council networks that use IoT data from the outset, balancing benefits for citizens with an acknowledgement of the need for security in deploying IoT networks.
- Be transparent about their use of such technologies.

27 http://www.cibse.org/getmedia/96c2ff0e-73b6-4544-aebd-7debabe211d4/Draft-PAS-183-on-Smart-cities.pdf.aspx

Mobile/agile working

Digital tools and solutions enable a workforce to operate more efficiently, for example by working from home, from other offices or whilst out and about doing their job. This also helps reduce operational costs for renting and maintaining office space.

Refuse collection crews in Greater Manchester are using iPads to help navigate new routes and to log households that need assistance with their bins or recycling.

Staff in roles that are not office based in Hampshire Council can log onto the council's HR platform remotely using any device to log their overtime, book leave or report their sickness absence.

Similarly, social workers in many councils now use a variety of devices to capture and update case notes whilst visiting their clients, reducing their need to travel back to the office between meetings and update records and allowing action to be taken sooner where necessary.

For organisations to benefit from mobile working councils must ensure IT standards exist for the necessary interconnectivity and security by:

- ensuring their staff have the right tools - tablets, smart phones that conform to the necessary network and security standards
- providing adequate training so staff are able to use tools effectively and protect information
- providing, as best as is practicable, adequate standards-based connectivity to ensure users can connect to Wi-Fi or broadband when required.

Key message
Councils should be open to data sharing and collaboration where it supports mobile and flexible working, including in how IT contracts are designed. This includes balancing the risks against the benefits.

Councils should
Aim to be using essential common and recognised standards for connectivity and data security .

Theme 3
Other considerations when procuring IT

Open Source IT

Adopting common standards and open architectures for IT brings a range of benefits:

- increasing the ease with which information can be linked and shared between systems
- making systems more accessible – by suppliers, citizens and staff
- increasing openness of IT solutions and so increasing choice
- reducing management overheads, especially in areas such as data security
- reducing acquisition and implementation costs
- limiting the need for specialist IT skills.

Although proprietary solutions still dominate, there has been a gradual growth in open source, promoted by the Government Digital Service (GDS). Several common platforms based on open standards have already been developed or delivered, such as GOV.UK and GOV.UK Verify. GDS have also published Open Standards Principles, advice, templates, standards and policies which councils can readily use. These can help councils to define 'government as a platform' (GaaP) and to adopt an open architecture, reflected in IT procurement exercises.

This does not mean that there is no space for proprietary solutions, but it does mean that suppliers need to demonstrate the openness of their products and to demonstrate higher value where non-generic solutions are chosen. Wherever possible, all procured IT solutions by councils should be built on open standards and adopt open APIs, for interoperability and data linkage.

It also makes sense for the public sector as a whole to adopt a common approach where possible, given an increasing need to draw up services, share data and allow systems to be accessed across different traditional professional and organisational boundaries. An example of this is the need to securely share data across health and social care organisations, as well as the benefits that can be derived from geographically co-located public services able to share common technology infrastructure and platforms.

Simple, small, open and standard technologies, avoiding customised, bespoke solutions and unnecessary proprietarily overheads, can offer huge benefits. At the same time, being dogmatic about the benefits of open source over proprietary solutions is also unhelpful, and can lead to hidden costs and risks.

Councils therefore need to prioritise both open architectures and the use of open source technologies wherever possible, whilst being realistic and recognising that there will be a place for proprietary solutions to deliver best value, innovative and flexible outcomes.

'Vanilla solutions' are generic (non-proprietary) computer software, used without any customisation or updates applied to them. Whilst taking into consideration that not all software packages directly match the requirements of local authority functions, where possible councils should avoid bespoking their software which can restrict its usage and interoperability capabilities. It should be acknowledged that when off the shelf (OTS) solutions do not exist, councils are encouraged to work with suppliers to develop innovative solutions and where possible in collaboration with others.

'Vanilla' IT solutions are typically lower cost, whether they are adopted from another organisation or from an IT supplier, but they do require compromise:

- a willingness to accept standard ways of working
- a commitment not to customise IT systems which start as vanilla (adding 'sprinkles').

Key message
Open source and 'vanilla' solutions should be preferred. This can also assist with the widest possible use of technologies without the need for re-tendering or repurposing existing IT investments.

Councils should
Make sure when tendering for technology solutions that sufficient attention is given to open APIs, use of common tools, and standards that allow for interoperability – between systems as well as organisations.

Common IT standards and open data

Open standards facilitate interoperability and data exchange between different products or services and between different organisations. They are ideal for councils in particular, where there is a high need to work together and across other local public service boundaries, as well as directly with citizens.

Open and common standards not only help with open data interchange, but help to protect data and 'get the basics right' when seeking to make different data sources available and linkable across local services.

The release of data from council IT systems is a prerequisite for a sustainable local authority service strategy where consumers can discover, analyse and re-use data from different service providers, across different services and geographical boundaries to tailor information to their own needs. But this must be undertaken with care and with adherence to data handling standards.

Local Public Services Data Handling Guidelines have been produced by Socitm to assist with this, listing the steps that local public services should take, to monitor, control and to mitigate the risk of personal information being lost or data protection systems failing.[28]

The insistence on compliance with open standards at the procurement stage should place a requirement on suppliers to build-in interoperability and reduce the fear of supplier lock in – councils shouldn't inadvertently replace one set of closed systems for another. The LGA leads guidance, support and provides online tools to guidance local information open data publishing best practice here.[29]

These best practices make use of the Local Government Business Model for information standards[30] – that have been in development within the sector for more than a decade. Functional specifications of all corporate IT data management systems should seek to ensure that they support capabilities to include content being referenced and published to these best practice guidelines.

Both the LGA through LG Inform Plus[31], its local government business model[32] and the Government Digital Service via standards.data.gov.uk[33] already produce standards for use in central and local government; although adoption by local government often lags substantially behind. This strategy aims to showcase examples of how open standards can lead to better outcomes in practice and to show the opportunities that open standards represent.

28 https://www.socitm.net/publications/data-handling-guidelines
29 http://opendata.esd.org.uk/
30 http://standards.esd.org.uk
31 http://about.esd.org.uk/
32 http://standards.esd.org.uk/LGBM
33 https://standards.data.gov.uk/

Councils should be working in partnership with other public sector bodies and the private sector to grow and develop open standards that focus on:

- developing shared architectural blueprints and customer journeys
- sharing IT solutions, including the code for interfaces and web services that allow public sector systems to integrate
- joint procurement of open standard solutions with other councils.

The LGA oversees projects each year to collect examples of best practice to demonstrate the benefits and further innovation that is possible when the local government sector works together to use existing information standards and release strategies to make better use of data. Examples include:

- Case studies for better use of data[34]
- Lessons learned from the open data incentive scheme[35]
- The Local DataVores initiative[36]
- eLearning modules to support better open data publishing[37]
- Research projects into improved tagging of local services data to meet citizen needs[38]

Open data has been promoted by the UK government for many years:

- to support enterprise and businesses that can exploit the open data for commercial and public value, including start-ups
- to enable scrutiny, challenge and awareness of public services
- to stimulate research, especially in areas such as health and care
- to share and be aware of public sector assets, such as buildings, and where utilisation could be better
- to increase public involvement in and understand of community data
- to encourage communities to be able to take more control of some public services through better access to data.

Open data has significant value therefore for councils in helping communities, local economies and in their own services.

Key message
Open data are community as well as public service assets.

Councils should
Actively promote the use of open standards and open data in all procurements, and collaborate with the LGA, other councils, GDS and partners in supporting of open standard solutions.

Supplier standards

Through the consultation period of workshops, NAG meetings and early phases of developing this strategic guidance for digital and IT procurement, it became clear that embedding a workable and enforceable supplier standard or protocol was a key ask from the sector and something the LGA, working with GDS and suppliers, would seek to implement as soon as practicable.

GDS have also consulted on a Supplier Standard[39] setting out how IT suppliers and the public sector can work together better. Their six key principles in the supplier standard are:

- User needs first: work with suppliers to deliver simpler, clearer and faster services that meet user needs.
- Data is a public asset: Government service data is a public asset. It should be open and easily accessible to the public and third-party organisations.

34 http://www.local.gov.uk/our-support/guidance-and-resources/data-and-transparency/making-open-data-work-you-case-studies

35 http://e-sd.org/7QtVd

36 http://www.nesta.org.uk/publications/wise-council-insights-cutting-edge-data-driven-local-government

37 http://about.esd.org.uk/news/data-publishing-and-data-standards-elearning-modules-local-government

38 http://about.esd.org.uk/news/vision-finding-right-local-services

39 https://www.gov.uk/government/consultations/supplier-standard-for-digital-and-technology-service-providers/supplier-standard-for-digital-and-technology-service-providers

- Services built on open standards and reusable components: the user experience should be consistent across all government services. The government aims to use quality services and technology which can be easily built into (or removed from) its services and platforms.
- Simple, clear, fast transactions: suppliers should be able to easily compete for contracts, preferably through transparent, online buying tools. These should give buyers straightforward access to products and services at competitive prices.
- Ongoing engagement: implementing the GaaP strategy will mean that suppliers and government will need to work together.
- Transparent contracting: suppliers should be paid fairly for delivering services that meet user needs. They should also be able to showcase their work for government to other clients, particularly where this reflects operational excellence or innovation in the use of technology.

Many of the themes in this strategy touch upon these principles, and the implementation of them nationally will result in improved digital services being delivered to both citizens and businesses.

By becoming increasingly flexible, with transparent supplier interactions using both supplier and open standards, council IT buyers and suppliers can work together to create better value in future IT contracts and, where possible, under renegotiated legacy arrangements.

The i-Network are taking this forward in Greater Manchester with GDS. Workshops identified a consensus for building a supplier standard into IT procurement tenders either as a prerequisite or weighting as has already been achieved with social value. A set of core principles are being developed, which could be embedded as prerequisites or weighting mechanisms in IT tenders:

- recognising that all data held in IT systems should be accessible, secure and interoperable – conforming with GDPR
- being 'cyber essentials plus' registered, and having proof of being penetration tested
- referencing common core sets of data where appropriate eg NHS number and key lists are held by ESD standards
- including open APIs that make the core dataset accessible
- if subcontracting, agreeing to pay onwards throughout the supply chain within 30 days of invoice.

To ensure this is implemented, enforced and monitored buy-in is necessary. The findings from the LGA consultation and workshops, both with officers and suppliers that fed into this strategy, suggest there is support for this and some councils are already exploring ways to progress work. Suppliers are also becoming aware that they are expected to listen more to customers and there is a need to work at a national level with some of the large suppliers to address this.

Government Digital Service have recently published The Technology Code of Practice which aims to assist public sector organisations in designing, building and buying digital services. User needs sit at the heart of the guidelines, which aim to drive innovation, facilitate sharing across organisations, and reduce reliance on single suppliers. Commercial functions have a crucial role to play in the successful delivery of digital services.

The role of NAG, LGA and Socitm will be pivotal to provide leadership whilst lending gravitas and providing expertise. There will be a need for regular review and updates as national standards develop and new ones are introduced to combat issues that have yet to arise.

Key message
Supplier standards in proprietary solutions are typically unavoidable and unalterable at a very local level. This is where local government needs to act together and as a sector, with GDS and national government, to encourage the development of suppliers'

standards which are as open and flexible, so they do not become and unnecessary constraint of cost, as possible.

Data and Information

One of the biggest opportunities and the biggest technology challenges for councils lies in data management:

- ensuring that data and systems can be shared easily when required, yet be held securely when necessary
- maintaining data quality and integrity through effective management
- establishing the specific security and privacy protection for personal and other sensitive data
- protecting systems, and networks, from both malicious and unintentional data breaches
- supporting mobile and flexible working and access systems and for data 'on the move'
- making the necessary linkages between data sets, often in separate systems to gain information intelligence
- managing the growing volumes of data, from new sources such as IoT devices, wearable IT and growing citizen data - so-called 'big data'
- enabling technologies such as cloud, social media, personal devices and apps to be used by partners, politicians, employees and citizens, without risking data integrity, security, or privacy
- preparing for and being able to comply with the General Data Protection Regulation (GDPR)
- complying with existing legislative obligations for data management and retention policies, especially with sensitive health and social care records.

These are growing issues which need to be considered in an IT procurement, whether for hardware, software, system solutions or network and communication technologies.

All of these have implications for data, and creating the necessary flexibility and controls represents an important part of acquisition.

Examples might include ensuring that suppliers comply with data standards, data-handling and security requirements, data holding and 'return' policies, disaster recovery and more. These are particularly important for cloud services, where data may be hosted anywhere, by anyone and potentially on any system.

As it becomes a higher priority to extract and share data between teams, systems, and organisations, it is important to avoid the need for sophistication of middleware integration layers or complex CRM and ERP components to achieve this. Complex or highly proprietary solutions 'baked into' an enterprise level comprehensive CRM system, for example, should be approached with caution, and open data principles assist and should be a priority.

Key message

In local government there is an increasing focus on information exploitation. This means that systems need to hold data securely, but not to imprison it. Applications must be widely accessible, from any device, by any organisation, and by more people. This easier and intuitive, or automated access, should be designed without compromising privacy or confidentiality, which are central to public trust in digital services and their resultant take up.

Councils should

When procuring new IT systems, make sure that they write into their specifications the need to support:

- emerging information standards
- recommended best practice for supporting data schemas and publishing strategy at the local government open data resource.

‘Super’ Clouds – a case study

The ‘Super Cloud’ is a hybrid cloud system provided by London Grid for Learning (LGfL) and supported by the London Public Services Network. It aims to provide all 33 London boroughs with cloud access to common services and applications at a low cost, based on common and open standards.

It already provides cloud services and standard connectivity to over 2700 public institutions, 750,000 public sector staff, 250,000 teachers and over 1,000,000 children in London and beyond.

Using a shared ‘special purpose procurement vehicle’ as the contractual basis for delivery, it has made over £300,000 savings since its inception through aggregated procurement and digital shared services. The following practices have been established:

- sharing – the sharing and presentation of information and functions to city data partners (citizens, city managers, other third-parties) through a variety of tools
- sensing – effectively providing processing and analytics capability to allow the refinement and consumption of data and information by the city, region or citizens.
- storage – data storage is likely to be distributed, but catalogued so it is searchable and accessible from a single point.
- advanced analytics –to work with unstructured and big data require suitable software, hardware and storage to support them.

Cyber security

Growth in the use of digital technology and the availability of online services is increasing at an exponential pace and is woven into the vast majority of council processes. As such, councils need reliable IT systems that operate 24 hours a day, 365 days of the year to ensure continuity of front line service provision and to avoid unplanned and disruptive outages which could put services at risk.

As more services are now being delivered online, the risks of an increased number and frequency of disruptive incidents and cyber-attacks is growing. IT and digital procurements must consider the resilience and security of systems and technologies

The push to deliver more joined up public services for the citizen, including under major national programmes like the integration of health and social care, requires increasing interconnections between local and national public service providers, which means that national cyber-resilience requires an holistic systems approach.

The local delivery landscape is also changing as the devolution agenda is not only restructuring English local government but also create new freedoms and powers for the devolved administrations. There is, therefore, a need for a more flexible and holistic approach to cyber resilience at the local level, supported by a national framework of shared principles, agreed standards, and coordination.

The government has recently published a National Cyber Security Strategy[40] (NCSS) for the period 2016-2021. The NCSS identifies cyber as a ‘category one threat’. It recommends that councils, other public sector organisations, the voluntary and private sector need to work together to develop the best approach to tackling cyber threats.

It also proposes using the guidance and support developed in the NCSC, with emerging guidelines from the National Cyber Security Centre and the Cyber Security Standard.

The public sector, including councils also needs to work with IT suppliers to ensure that procurement mechanisms (for example Digital

40 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567242/national_cyber_security_strategy_2016.pdf

Services Marketplace or CCS) embrace relevant cyber security accreditation and adopt the official CCS cyber procurement frameworks on Digital Marketplace.

Individual councils will face varying digital risks and should already be taking a risk based approach to this against a backdrop of scarce resources. The LGA, through the auspices of NAG will continue to work with central Government (CCS) and the main suppliers to address this at a national level so councils can rely at least in part on national resources and support.

To underpin this, standard clauses should be drafted in IT tenders which clearly set out the requirements for cyber resilience in all IT procurement contracts. Once agreed these can then be used by councils, government and other public sector organisations.

Key message
Cyber threats require every council to take precautions, whether they run IT in-house or not. Effective IT measures, staff awareness and good practice can reduce the risk of ransomware or hacking attacks which can disable services and create significant cost.

Councils should
Work with suppliers, CCS and the other PBOs to agree how to embed good cyber resilience into new IT solutions and existing software upgrades, to provide appropriate protection from cyber-attacks.

Build in relevant clauses about cyber security into all their contracts – when a council procures a service they need assurance that the successful bidder has appropriate cyber security measures in place to ensure their IT systems, containing sensitive information about residents and staff, won't be compromised – this is particularly relevant for outsourced/shared service contracts that cover a range of back office services.

Standards to prevent fraud

A standard approach to technology does not only reduce the risks of data breaches and system attacks, it can also reduce the risk of fraud – a growing concern as councils become more and more digital.

Auditors need to become increasingly IT literate 'data scientists' and able to undertake complex digital systems audits, spotting the vulnerabilities in systems design, implementation, patching and integration.

With the speed of change and rapid advances in digital technology councils also must to be aware that the opportunities of technology need to be offset against the potential risks these opportunities might pose in terms of fraud. This includes financial risks as well as risks to personal identity, misuse of data for personal gain and other attacks.

This strategic guidance to procurement strategy encourages councils to develop and maintain a culture in which fraud and corruption are understood in terms of both risk and prevention. This includes using technology to improve responses and share information and resources to prevent and detect fraud loss.

CIPFA's Fighting Fraud and Corruption Locally[41] estimate that local government lost £876 million in procurement fraud in 2013. Working with the LGA, CIPFA have developed a fraud prevention companion and checklist to help councils to measure counter fraud and corruption culture and response.

Key message
Risk of fraud is a growing threat for councils with increasing complex, diverse and distributed information networks and access. Maintaining systems integrity through regular audits, patching and common standards can help to prevent fraud.

Councils should
Follow the guidelines and checklist in the Fighting Fraud and Corruption Locally documentation.

41 http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

Notes

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