

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

FUTURE DIGITAL SERVICES

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Future Digital Services", dated 30th April, 2019, they are of the opinion:-

1. To authorise the Policy & Resources Committee to enter into a ten-year contract with Agilisys Guernsey Limited for the delivery of States IT Services as set out in this Policy Letter ("the Strategic Partnership") including the provision and maintenance of the States IT infrastructure and support services, technology support for agreed transformation initiatives and delivering a programme of approved economic development initiatives, following the Committee's approval of the Full Business Case.
2. To approve the transfer to a new corporate entity of the contracts of employment of, and to make arrangements for comparable pensions for, such States of Guernsey IT staff as are identified for transfer, by way of an Ordinance made under the Transfer of Undertakings (Protection of Employment) (Guernsey) Law, 2001.
3. To approve the States having a minority "golden share" shareholding in the corporate entity referred to in Proposition 2 entitling the States, upon termination of the Strategic Partnership, to effect a share transfer of the corporate entity to the States, or to a replacement supplier of IT services to the States, for nominal consideration.
4. To note that the Policy & Resources Committee intends to use its existing delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership.
5. To direct the Policy & Resources Committee to include specific additional funding of £2.0m for the Strategic Partnership in the 2020 recommended Cash Limits, and to take account of the ongoing costs when recommending Cash Limits for subsequent years.
6. To approve funding from the Capital Reserve of a maximum of £26.9m for the improvement of business as usual IT services by the Strategic Partner, including

transition, transformation, and major asset investment, and to delegate authority to the Policy & Resources Committee to open capital votes for the individual projects after consideration of the appropriate project business cases.

7. To approve funding from the Capital Reserve of a maximum of £16.7m for a programme of digital transformation, and to delegate authority to the Policy & Resources Committee to open capital votes for the individual projects after consideration of the appropriate project business cases.
8. To direct the preparation of such legislation as may be necessary to give effect to the above Propositions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

FUTURE DIGITAL SERVICES

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

30th April, 2019

Dear Sir

1. Executive Summary

- 1.1. The States of Guernsey has recognised the importance of technology as an enabler for its ambitions. Not only are effective IT services required for the day-to-day delivery of public service functions, but digital transformation is a critical component of the States' change ambitions and the achievement of the savings required through Public Service Reform. Technology also has a crucial role to play in facilitating States' policy, from enabling and informing major policy change to building an environment which stimulates the Island's economy.
- 1.2. Existing IT services are subject to a number of constraints which limit the role they can play in meeting the States' strategic goals. The organisation's IT infrastructure has been established over many years; it has limited interoperability, duplicated functionality and relies on a number of ageing and inflexible systems. The infrastructure is maintained and supported by both an in-house team, 'Information Systems and Services' (ISS), and a complex network of external suppliers. Within this support structure, there is limited capacity and expertise to efficiently resource major IT programmes, to coordinate IT development across the organisation and to progress, without delay, the multiple IT-enabled projects prioritised by the States.
- 1.3. In recognition of the limitations in current IT provision, a Future Digital Services project was established. The project's first step has been to identify a model for future service delivery capable of achieving the necessary change at pace and in a cost-effective manner. Informed by lessons learnt from past States' projects, such as the implementation of the States' core business system, SAP, and the

replacement of the Social Security Benefits IT system, the Policy & Resources Committee (“the Committee”) has overseen a rigorous procurement exercise to design and develop a model that is fit for purpose and which can meet the changing demands of the organisation.

- 1.4. The Committee has sought to provide regular updates to the Principal Committees and States Members during the development process, noting the importance of commercial confidence in relation to the procurement exercise. Throughout the process, the project has engaged with and consulted senior civil servants supporting the Committees, ensuring that the proposed model would be informed by a strong understanding of the States’ strategies, operational needs and the Island’s unique place in the world.
- 1.5. At the conclusion of the procurement process, the Policy & Resources Committee is seeking the States’ endorsement to enter a ten year Strategic Partnership for the delivery and improvement of States’ IT services. The Partnership will leverage the full breadth of the States and the partner’s skills and experience to transform digital services in the organisation. As the strongest performing bidder, the Committee has selected Agilisys Limited (“Agilisys”), a leading UK based technology company, as the preferred Strategic Partner. Fujitsu Services Limited (“Fujitsu”) has been selected as the Reserve Bidder. Should a Strategic Partnership be agreed, but the contract with Agilisys not be completed, the Committee intends to further explore a partnership with Fujitsu rather than conduct additional procurement activities. Under the States’ direction the Strategic Partner will manage and assure an organised network of key sub-contractors and suppliers to ensure that the States has reliable and wide-reaching access to best-practice, including in specialist areas.
- 1.6. Within the Partnership, the States will retain control of IT strategy and standards and the prioritisation of projects. Agilisys will be responsible for the delivery of high quality day-to-day IT services, including the provision and maintenance of the States’ technical infrastructure and the management of the supply chain. Agilisys will also be awarded ‘preferred supplier status’ to support the IT change needed to achieve the States’ transformation ambitions.
- 1.7. In order to achieve the objectives of the Policy & Resource Plan and the objectives of the framework for Public Service Reform, the States has commissioned multiple large-scale transformation programmes, including programmes to transform the Island’s health and care services, its education and training services and to redesign the structure of the public service. Fundamental to delivering these programmes is the use of new and improved technology to help change how services are designed, accessed and delivered. This ranges from large scale technology replacements to the automation of transactional processes to release posts. The services available within the proposed Strategic

Partnership, namely the transformation of business as usual IT services, the delivery of new and improved technology products and capabilities, and the support to re-design and operate digital services, are critical to achieving these reform ambitions and realising the desired improvements in customer satisfaction, staff engagement and value for money. The Propositions associated with this Policy Letter include a funding request to support digital transformation projects which will enable Public Service Reform.

- 1.8. The supporting services provided by the Strategic Partnership will enable each Committee to drive operational reform, as well as enhancing the common infrastructure and applications available to each Committee. This will range from support for defined transformation programmes, such as the delivery of the Partnership of Purpose, the Education Digital Road Map and the Revenue Service programme, to the changes needed to address technology shortcomings such as those identified in Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' ("HMICFRS") inspection of Law Enforcement. The Partnership will also establish the technology foundation required for Committees to introduce common customer services and digital channels, for example digitising transactional processes across the States' services and providing a single sign-on service.
- 1.9. It is recognised that this is not just an IT project. Although technology enhancements are a major component, business change and transformation will need to be led by the Committees involved, including where these activities form part of a Committee's defined transformation programmes. Successful delivery and benefits realisation will require organisational and cultural change well beyond the proposed changes to IT service provision and leadership from both the States and senior public servants. Whilst the Partnership will provide greater access to business transformation and IT change experts and, over time, will help to release resource through the digitisation of services, capacity and support will be required from officers across the States to deliver on the potential of the Partnership.
- 1.10. Embedded within the Strategic Partnership is an expectation of continuous investment in the local digital sector. Agilisys, working alongside States staff, has identified multiple initiatives through which it will deliver this commitment. The company intends to establish MedTech (medical technology) and FinTech (financial technology) innovation hubs in the Island in order to stimulate and nurture local business development. These hubs will be complemented by skills development opportunities, including apprenticeships. The Partner will also provide infrastructure improvements and Island promotion, including the provision of a States of Guernsey Economic Development office on the new Imperial College London campus at White City. The full programme of initiatives is aligned to, and will support, the delivery of the Economic Development

Strategy approved by the States in July 2018¹.

- 1.11. The proposed relationship with Agilisys recognises the risks associated with a Strategic Partnership and learns from previous examples of partnership and outsourcing in the States and other jurisdictions. The Partnership emphasises strategic alignment and mutual goals and is intended to evolve and adapt as the States' needs change. A small expert team will be retained within the States to provide service assurance and strategic direction. The team will be responsible for the day to day management of the contract, with political oversight and control provided by the Policy & Resources Committee. The proposed Strategic Partnership includes a detailed performance management regime, regular opportunities for review, and, should they be required in the interests of the States, a comprehensive set of exit provisions. To support the exit arrangements, Agilisys will be granted the right to use States' assets rather than the direct ownership of assets.
- 1.12. The project has given particular consideration to employee transfer in order to manage the risk to service continuity whilst respecting existing employment rights. The Committee is proposing that all in-scope employees are transferred to a new corporate entity by an Ordinance made under the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001. The entity will act as the employer for any staff spending more than 50% of their time on States IT delivery. Both the States and Agilisys will own shares in the entity, with the States having a small minority (the 'golden share'). Control and supervision of Agilisys' performance will be through the contract and not via this shareholding. The use of the entity will enable equivalent terms and conditions and pension provisions to be retained by current staff. The 'golden share' entitles the States to affect a share transfer of the corporate entity to the States, or to a replacement supplier, for nominal consideration upon termination of the services contract, helping to protect future service continuity.
- 1.13. The Strategic Partnership will deliver a wide range of benefits to the organisation and to the Island. These benefits are aligned to the strategic objectives of the States. The Partnership will:
 - Protect the continuity of public service functions by mitigating the risks associated with ageing IT systems and complex support arrangements;
 - Support staff to do their job efficiently by providing reliable access to effective and fit-for-purpose technology;

¹ [Billet d'État XVIII 2018 Economic Development Strategy -gov.gg/CHttpHandler.ashx?id=113298&p=0](http://gov.gg/CHttpHandler.ashx?id=113298&p=0)

- Improve customer experience by enabling the digitisation and re-design of processes so that they are easier to use, available at any time and tailored to meet individual customer needs;
- Accelerate the delivery of change and transformation projects by providing a flexible technological foundation to support IT change and by offering ready access to the resource and expertise necessary to progress change initiatives. This will speed up the realisation of benefits from projects, for example by supporting the automation of transactional processes to facilitate the release of public service posts within the organisational redesign project;
- Stimulate the local digital sector to support the growth and diversification of the Island's economy; and
- Ensure greater value for money from States' IT spend, delivering more modern and fit-for-purpose IT services with an average annual cost comparable to the current spend. This will be achieved by making use of economies of scale, reducing duplication and embracing modern technological opportunities.

1.14. In order to achieve these benefits, the Strategic Partnership will require funding for both the ongoing service delivery costs and for infrastructure improvement. The table below illustrates the funding required to support the Strategic Partnership.

Cost Element	Total (£m)	Purpose
Annual IT running costs	£154.1 in total.	This funding will support the day-to-day delivery of modernised and fit-for-purpose IT services. It takes into account the savings from reduced power usage.
FDS Project Planning Costs	£1.2	This funding accounts for the seed funding spent on the FDS project to date.
Transition Costs	£3.1	This funding supports the transfer of core service provision from the States to Agilisys, applying corrective fixes as necessary.
Transformation Costs	£13.7	This funding will support IT transformation, focusing on improved user experience, improved network connectivity, and enhanced security management and monitoring.
Initial Infrastructure Asset Investment	£8.9	This funding will allow immediate investment in the States' core IT infrastructure and hardware assets to ensure that they are fit-for-purpose.
Total: £26.9m - Proposition 6		

Cost Element	Total (£m)	Purpose
Digital Transformation	£16.7	This funding will support the delivery of prioritised digital transformation projects within the framework for Public Service Reform.
<i>Proposition 7</i>		
Infrastructure and Asset Refresh	£11.1	This is the anticipated funding required from minor capital which will be used for ongoing infrastructure and hardware asset refresh over the course of the contract. It does not exceed the current IT minor capital allocations.
Future Infrastructure Asset Investment	Approx. £9.1	This is the predicted funding required for investment in core States infrastructure from 2021 onwards.
Economic Initiatives	-	Agilisys has committed to contributing 2% of revenue earned under the Strategic Partnership contract towards Economic Development.

- 1.15. Whilst, over the life of the partnership, the revenue cost is £5.9m less than the cost of the current baseline, there is a requirement for additional funding of £1.4m in 2019, £2.0m in 2020, and £0.9m in 2021. In respect of 2019, the Committee intends to use its existing delegated authority to approve funding from the Budget Reserve. The Committee recommends that appropriate allowance is made within future recommended Cash Limits from 2020 onwards to account for this requirement. This additional allowance will temporarily increase the total Cash Limits allocated.
- 1.16. The predicted savings of £5.9m reflect the difference between Agilisys' offer and the organisation's current spend on IT services. This baseline, however, is a simplified comparator and does not reflect the likely increase in IT costs that would occur over this period if the operating model did not change. If the Strategic Partnership is not pursued, the States' current IT model would need further revenue in order to address the increasing demand for data and resource and to continue to manage and maintain ageing systems. By way of illustration only, if the baseline costs were increased by 2% annually to reflect the projected cost increases, the overall savings on business as usual IT services would increase from £5.9m to £19.1m.
- 1.17. A total of £43.6m of funding (to support seed funding, transition, transformation, initial infrastructure investment and digital transformation) is requested from the Capital Reserve for projects initiated within the current capital portfolio period. This includes £16.7m for digital transformation projects and £26.9m for

improvements to business as usual services. Further funding requests will be submitted for infrastructure required in the next capital portfolio periods.

- 1.18. The propositions include giving the Policy & Resources Committee delegated authority to open capital votes subject to the approval of appropriate business cases. Any requests for funding for projects which are part of the mandated responsibility of the Committee follow the same processes and procedures, and are subject to at least the same level of officer and political review and challenge as those requests submitted by other States Committees. These projects would also benefit from independent challenge and scrutiny in the same way as those led by other Committees and States' bodies. The significant investment in IT services proposed within this Policy Letter will represent extensive improvements across all of the States' service areas and will ensure that IT provision can support future needs.
- 1.19. Overall the Strategic Partnership represents an important and vital step towards improved digital services - services which are capable of meeting the needs of a modern organisation and delivering value to the States' customers and the Island. The engagement with Agilisys will allow the States to de-risk its services, make the most of the available technology opportunities and realise the full benefits available from its strategic ambitions. This Policy Letter describes why change is needed, the solution that Agilisys will provide, the benefits of the Strategic Partnership and the funding that is required. A glossary has been included at Appendix 2.

2. The Problem and the Opportunity – why is change needed?

- 2.1. Effective, reliable and reactive digital services are critical to the proper functioning of government. Such services have the potential to enhance day-to-day functions, enable significant policy change and operational transformation, and to support and stimulate the local economy. The current delivery model for the States' IT services however, does not fully leverage the opportunities available to the organisation.
- 2.2. Strategic context - what does the States require from its digital services?
- 2.3. All services delivered by the States, in both Guernsey and Alderney, are underpinned by technology. Each service has infrastructure needs, such as data centres, networks, equipment and software; and service support needs, with ongoing engagement required to fix errors, update systems, or help users. It is essential that the States continues to sustain its core functions efficiently, securely and at a sustainable cost. The provision of existing services however, is not the only demand on IT delivery, and alone is not sufficient to facilitate modern and effective public services.

- 2.4. Rapid technological development has created new opportunities. Artificial intelligence, mobile computing, online services, cloud-based computing and enhanced data management have the potential to greatly improve the services provided to customers, generate significant savings, and enable more informed and flexible policy making. This potential has been recognised within the States' strategic forecasting and forms part of its plans to meet Island needs.
- 2.5. The Policy & Resource Plan² describes the vision of the States, *"to be one of the healthiest and happiest places in the world, where everyone has an equal opportunity to achieve their potential"*, and prioritises the major policy initiatives required to progress the State's ambitions. Using technology in a smarter way will enable these policies to be translated effectively into better public services, a process which is guided by the framework for Public Service Reform³.
- 2.6. Delivery of the Public Service Reform framework will help the States' to address challenges such as shifting demographics, global economic competition and evolving community and business requirements. It sets out a ten year plan to transform the organisation and the management and delivery of public services to help achieve the States' priorities, including a number of major transformation programmes which act as delivery vehicles for the outcomes set by the States.
- 2.7. The majority of the constituent priorities and transformation programmes in the Policy & Resource Plan and the Public Service Reform framework are enabled by technology. For example, technological development is required to deliver the programmes which have been commissioned to transform the Island's health and care services (the Partnership of Purpose) and its education and training services (Transforming Education), to meet customer expectations for integrated online services, and to make the organisational reform necessary to support the £26m savings target in the Medium Term Financial Plan ("MTFP")⁴. Effectively delivering these priorities will require the States' core infrastructure to work as a cohesive whole, systems will need to be modern and flexible, services will need to be digitised, and experienced resource will need to be available to lead and implement change.
- 2.8. The States' strategic aims for economic development are particularly influenced by digital service delivery, as recognised in the Economic Development Strategy⁵ agreed by the States. The Digital Sector Strategic Framework⁶ is a key priority in the Economic Development Strategy and identified a number of actions that the

² [Future Guernsey - Policy & Resource Plan - www.gov.gg/policyandresourceplan](http://www.gov.gg/policyandresourceplan)

³ [A Framework for Public Service Reform 2015 – 2025 - www.gov.gg/change](http://www.gov.gg/change)

⁴ [Medium Term Financial Plan \(as amended\) - https://www.gov.gg/mtfp](https://www.gov.gg/mtfp)

⁵ [Billet d'État XVIII 2018 Economic Development Strategy -gov.gg/CHttpHandler.ashx?id=113298&p=0](http://gov.gg/CHttpHandler.ashx?id=113298&p=0)

⁶ [The Digital Sector Strategic Framework - https://www.gov.gg/CHttpHandler.ashx?id=107224&p=0](https://www.gov.gg/CHttpHandler.ashx?id=107224&p=0)

government must undertake to make Guernsey a location of choice for digital businesses. The framework sets out objectives that include direct government support to stimulate the digital economy, a digitally visionary government, a flexible and world-class digital infrastructure, best in class digital skills, education and training, and a high quality cyber security environment. An optimal digital services delivery model would support the States to deliver these goals and to realise the associated economic benefits.

- 2.9. In summary, there are significant benefits available to the States through the delivery of resilient, reliable and cost-effective day-to-day IT services, the use of technology to enable and accelerate change ambitions, and the provision of targeted initiatives to stimulate the local economy. The current delivery mode however, does not readily enable these benefits to be realised.
- 2.10. The current model – do current arrangements support the delivery of technology-enabled benefits?
- 2.11. Over the last few years, the States has invested heavily in an IT recovery and stabilisation programme to ensure that it has a comprehensive understanding of the organisation's technology dependencies and to address critical weaknesses. This has included the urgent technology upgrades required to support multiple critical systems, from the patient administration system in Health through to the integrated learning environment used in Education. At the same time, significant attention has been given to providing the legislation, policy and tools required for effective data protection and cyber security. This work has succeeded in stabilising existing IT provision and ensuring that States' data is safe and secure. The focus now needs to change from stabilisation to proactive development. Existing infrastructure and support services impose a series of constraints on service delivery that limit the role technology can play in the delivering the States' goals and which will expose the organisation to increasing risk over time.
- 2.12. The States of Guernsey's IT infrastructure is large and diverse. It has developed in separate service areas over many years resulting in widespread duplication and very limited interoperability. Relative investment has varied between service areas and a number of services depend on outdated or legacy IT systems, such as the income tax administration system in the Revenue Service and the patient administration system in Health & Social Care. Often these systems have had to be heavily customised which makes them very difficult to maintain or update and prevents services from being re-designed to meet changing customer needs. In addition, some key components of the IT infrastructure are at capacity or reaching end of life, including the main data centres in Sir Charles Frossard House and Edward T Wheadon House.
- 2.13. The infrastructure estate is supported by a combination of an in-house corporate

IT function, ISS, and a complex supply chain of specialist external providers. The ISS team provides strategic direction, 'business as usual' support functions, information assurance, and some project delivery support. With the team's current capacity, resources are focused on supporting existing systems and services. There is very limited resource to support any of the major change programmes and the current structure does not have the ability to efficiently flex resource levels to reflect the peaks and troughs of change-based work.

- 2.14. External suppliers are contracted to provide expertise, capacity and skills that cannot be delivered in-house. The States' extensive network of providers has developed over time, suppliers work to different terms and conditions and with different contract management arrangements. This structure results in duplicated effort and is expensive to maintain, as well as resulting in inconsistent access to best practice across the organisation and not effectively leveraging supplier's knowledge of the States. Single-supplier dependencies have also built-up where bespoke or ageing systems are in place, exposing the model to greater risk.
- 2.15. The existing infrastructure and varied network of suppliers also prevents the organisation from effectively utilising its spend on IT to benefit the local economy. Annually, the States' revenue spend for IT is approximately £16m, however this funding is spread across a large number of diverse services and contracts and does not effectively feed back into the Island. The current model includes limited investment in skills development and emerging technologies, and the existing infrastructure does not actively encourage digitally driven business in the Island.
- 2.16. A fundamental refocusing of the organisation's IT services will be necessary to successfully deliver IT-enabled benefits, moving from the current focus on maintaining existing services to a focus on delivering digital transformation and stimulating the digital sector. As has been recognised through work on Public Service Reform framework, this change will need to be accompanied by an investment in employees across the public service to develop the capability and capacity to identify and drive benefits from technology.

3. The Aim – what needs to be achieved through change?

- 3.1. In recognition of the limitations of existing digital service provision, a Future Digital Services ("FDS") project was established to investigate the options for States' IT improvement and recommend a solution.
- 3.2. Based on the project's strategic framework and the IT requirements of the organisation, the Policy & Resources Committee defined a project scope which covered three key 'pillars';

- **Pillar 1: ‘Business as Usual’ IT** – the day to day service received by States IT users,
- **Pillar 2: Change and Transformation** – the technological enablement and acceleration of key change initiatives, including the provision of technological and advisory solutions required to enable the States’ programme of Public Service Reform and major policy priorities;
- **Pillar 3: Economic Development** – the development of, or investment in, services within Guernsey in a manner that will enhance its economy.

The scope of the project includes all contracts managed by ISS and all States IT services, with the exception of those used solely by incorporated Trading Assets, the current support provided to the College of Further Education, and the high-security systems used by Home Affairs which are directly supported by UK Government agencies. It also includes the IT support currently provided to some non-governmental organisations.

- 3.3. Linked to the three pillars, five specific objectives were established for the project. That:

Pillar 1	1. Existing systems and services are provided to a consistent and sufficiently high quality that end-users perceive them to ‘just work’;
	2. The delivery of existing systems and services is done at a price point that delivers savings for the States;
Pillar 2	3. States IT provision enables identification and adoption of best practice, thus allowing the States to deliver Public Service Reform;
	4. IT provision supports the organisational reform necessary to deliver the £26m savings target set out in the MTFP; and
Pillar 3	5. States IT provision is able to play a significant role in the States’ stimulation of the digital economy, a sector which has the potential to support the growth and diversification of Guernsey’s economy.

- 3.4. The first step within the project has been to establish a new model for service delivery. The model is intended to facilitate and direct all future change efforts and provide an optimum balance of benefits across the project’s objectives. To identify this model, the Committee commissioned an extensive development process informed by an evaluation of the States’ needs and the knowledge and experience of industry experts. To date, the Committee has approved budget of £1.2m for FDS project planning.
- 3.5. This process included regular engagement and dialogue with other Committees of the States and with the senior civil servants that support them. It also included

the use of significant policy initiatives developed by the Committees as case studies and to help assess the potential supplier's capability, for example the transformation planned in health and social care, in education, in criminal justice and in economic development.

4. The Development Process – how was a feasible model identified?

- 4.1. From the outset of the FDS project, the Committee recognised that the States would require the support of external suppliers to deliver some, if not all, of its digital services. Based on this understanding and following an initial market sounding exercise conducted in late 2016, the Committee chose to frame the development of a future model around a multi-round procurement process, the aim of which would be to assess the types of supplier relationship that would be feasible and desirable for the organisation, and to potentially select a provider to help the States realise its objectives.
- 4.2. By structuring the solution development around a detailed and thorough procurement process, the Committee was able to ensure that the final model would be informed by the combined knowledge and experience of multiple potential suppliers and that any assumptions of the States' requirements would be tested over time.
- 4.3. The chosen procurement process was informed by international best practice, adapted to meet a States of Guernsey context. The approach consisted of three main stages: preparation, solution design and bidder selection.

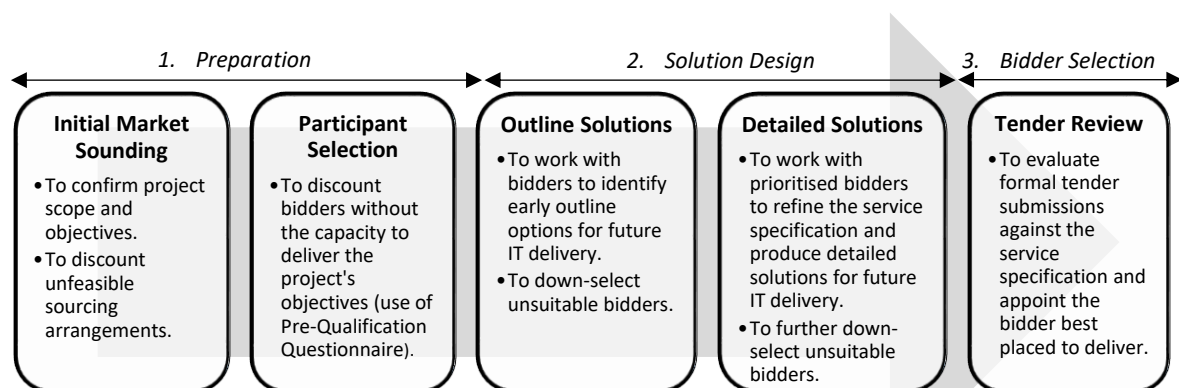


Figure 4.1: An overview of the procurement process used to support service solution development.

- 4.4. The process included engagement with over 26 suppliers, including a wide range of market leaders and local business representation. Bids were assessed against

their ability to deliver the aims of the FDS project, their compliance with technical criteria and service standards, and the value for money and affordability of the proposals. Significant due diligence and financial review was carried out on the potential suppliers.

- 4.5. Parallel to the externally focused procurement process, an internal option for operational improvement, the 'Internal Improvement Model', was developed by an in-house team supported by independent consultants. This model demonstrated the benefits available without a partnership and was intended to provide an alternative should the States choose not to award a contract to an external bidder.
- 4.6. The development process was led by the Chief Information Officer, supported by stakeholders from across the organisation including IT professionals, the Corporate Procurement Team and subject matter experts in transformation and service delivery. As the organisation's experience of assessing complex technology proposals is relatively limited, independent advice and quality assurance was provided by an arm of the Society of Information Technology Managers (SOCITM Advisory), a professional body for people involved in the leadership and management of public service IT and digitally enabled services. SOCITM Advisory has also supported wider assurance reviews of the FDS project.
- 4.7. The rigorous development process was completed in April of this year with the conclusion of the tender review stage. The process achieved its aim and has successfully identified the most feasible sourcing relationship for the organisation and selected a very strong bidder capable of helping the States realise its objectives. States endorsement is now required to progress the selected model from development to implementation.

5. The Future Delivery Model – what will change look like?

- 5.1. Following the results of the development process, the Committee is seeking the States' endorsement to enter a Strategic Partnership with Agilisys Guernsey Limited, a specially established company owned by Agilisys Limited. Agilisys Limited is a UK based technology company with a strong track record of successful partnerships in the public sector.
- 5.2. A second bidder, Fujitsu Services Limited, has been appointed as the Reserve Bidder. If the States agree to the principle of a Strategic Partnership but the contract with Agilisys is not completed, the Committee intends to explore a relationship with the Reserve Bidder, rather than holding a further competitive procurement process.

- 5.3. Throughout the process, Agilisys and Fujitsu were able to consistently demonstrate that they had the technical capability, capacity and the industry relationships necessary to meet the States' IT needs. Agilisys, however, was the higher scoring bidder.
- 5.4. Within the Partnership, Agilisys will deliver important services against each 'pillar' of the project's scope.

Pillar 1 Business As Usual IT Services	Agilisys will assume responsibility for end-to-end IT services across the vast majority of the States' operations (excluding the incorporated trading assets). It will manage and enhance the States' IT infrastructure, and the associated support services and supply chain, to ensure that the organisations' digital services are flexible, fit-for-purpose and deliver value for money. Agilisys will be required to resolve any service failures attributed to the company.
States Role	The States will retain control of the overall IT strategy, have final say in key procurement decisions and set and assure the service standards that Agilisys will need to meet. The States retains a team of IT experts under the direction of the Strategic Lead for Digital to manage the day to day provision of services.
Pillar 2 Enabling and Accelerating Change	Agilisys, alongside specialist partners, will advise on and support the delivery of key digital enablers, helping to identify and implement the technological components of significant transformation efforts, such as those required by the Public Service Reform framework. By delivering support to the States' in an expert, efficient and cost effective manner and by actively building-up capability within the organisation, Agilisys will support the rapid delivery of States' goals.
States Role	The States will develop, prioritise and control the programmes of change. The prioritisation process will be overseen by the Policy & Resources Committee in line with the strategic priorities and objectives set by the States. Agilisys will be the preferred (but not exclusive) supplier for any IT enablement work required within the programmes. States resource will work alongside, and learn from, the Partner to increase internal capability.
Pillar 3 Stimulating Economic Growth	Agilisys will invest in an ongoing programme of economic development activities aimed at increasing digital skill in the workforce, improving the infrastructure available for local businesses and providing opportunities for digital businesses on-island.

States Role

The programme of work delivered by Agilisys will contribute to the outcomes of the States' Digital Framework. Any initiatives co-developed with the States of Guernsey will need to follow the relevant States approval pathway and will require the endorsement of the Committee *for Economic Development*.

- 5.5. In order to augment its own capabilities and ensure that the States can benefit from leading expertise across its digital service provision, Agilisys will manage a coordinated network of sub-contractors and suppliers, including specialists in SAP, telecommunications and data security. This network is expected to include extensive representation from local suppliers.
- 5.6. To ensure service continuity is protected and employee rights are preserved, it is proposed that States IT staff are transferred to a separate corporate entity using the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001. The entity will exist primarily for the employment of staff, will be separate and distinct from Agilisys and the States, and, for current employees, will offer terms and conditions equivalent to those presently enjoyed by staff members. Both Agilisys and the States will own shares in the entity; however the States will have a small minority (a 'golden share') which will allow staff to be easily transferred back to the States or to an alternative supplier if it is in the States interests to do so (further detail on staff transfer and the proposed Ordinance is available in section 10.14-10.22).
- 5.7. Control and supervision of Agilisys' performance will be through the partnership agreement, not through the States' shareholding in the corporate entity. The contract form used is robust and is based on a UK government form, tailored as necessary, with a number of public sector protections. In order to ensure that the States' can fulfil its role effectively, it is intended to retain a small team of IT experts within the organisation. This team will make up the Retained IT Function. Members of the function will assure the work of the Partner and will be accountable to the States' Strategic Leadership Team for the management and performance of the contract with Agilisys.

5.8. Figure 5.1 summarises the structure of the partnership with Agilisys.

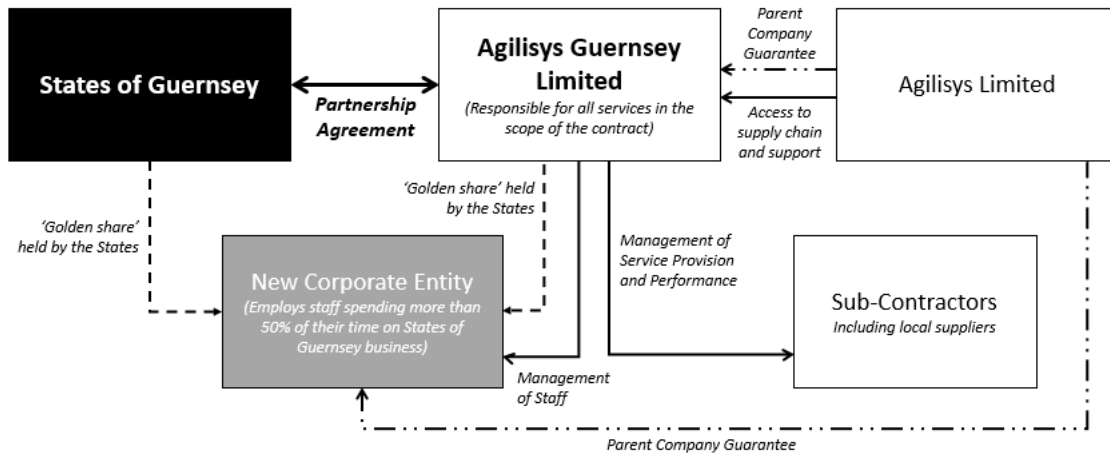


Figure 5.1: Structure of the Partnership

5.9. The Partnership will be for a ten-year term (with an option to extend by two years if the States so decides). A contract of this duration will ensure that new services can transition and embed. It will provide sufficient time for the States to benefit from the knowledge gained by Agilisys and from the economies of scale available to the company. The length of the contract also allows time for future infrastructure refresh, stopping the States from re-entering a cycle of significant investment followed by decline. Flexibility will be built into the contract to ensure that the services provided by Agilisys continue to meet the States' needs and an option for termination will exist should the Partner fail to meet the States' requirements.

5.10. An ongoing process of due diligence has been carried out on Agilisys. This commenced with a series of checks during the participant selection stage of the procurement process in late 2017. More recently, it included a robust set of reference site visits which assessed all key aspects of the Partner's ability to deliver the services needed by the States and formed part of the evaluation methodology. This due diligence has considered financial, legal and contractual (including all historic and current legal cases involving Agilisys), technical and governance matters. The financial due diligence included an analysis of Agilisys' audited accounts, assessment of both its current financial performance and the security held against its assets, and the credit reports associated with its group companies. No concerns have been identified through the due diligence process. As part of the last contract negotiation phase, the project will conduct a final iteration of due diligence.

5.11. The following sections describe the proposed solution in more detail, including the benefits available and the evidence behind key choices. The Full Business

Case for the FDS project has been made available to States Members. Should the States authorise the Strategic Partnership, the Business Case will be updated following the final contract negotiations and will require final approval by the Committee, including the final assurance review, before contract signature.

6. The Sourcing Arrangements – why does a Strategic Partnership represent the most feasible option to achieve the States’ objectives?

6.1. At the start of the project, the following four sourcing arrangements were considered in scope:

- **Internal Improvement** – In this option, the service solution would be delivered through internally-led efforts to enhance the current model of IT provision. As at present, services would be provided by a combination of an internal delivery team and various external suppliers as and when required;
- **Service Delivery Partnership** – This option would comprise a contract with an external partner to provide IT staffing resources only. Infrastructure provision would not be included within the partner’s responsibilities;
- **Strategic Partnership** – In this case, a contract would be entered into with an external partner for the end-to-end provision of IT, including the provision of IT infrastructure. Within this relationship, the two parties would work together to reach common goals; and
- **Joint Venture** – This option would involve the creation of a Joint Venture with an external partner for both IT service support and the provision of IT infrastructure. The Joint Venture would include shared ownership, shared returns and risks, and shared governance.

6.2. Over the course of the development process, sourcing arrangements were discounted based on their ability to deliver the States’ aims and their achievability within the market place.

6.3. Two sourcing options were discounted at the initial market sounding stage; Service Delivery Partnership and Joint Venture. Whilst feedback from potential bidders suggested the market was capable of providing a Service Delivery Partnership, the value of the contract was considered unlikely to attract strong competition. In addition, the relatively small size of a staffing-only contract was not considered sufficient to encourage the additional investment required to support service transformation and local economic stimulation.

6.4. The market testing also showed no support for entering a Joint Venture with the States, this is reflective of a general trend in public sector procurement where

lessons learnt from previous Joint Venture experiences are leading both authorities and private sector suppliers to contracts with more flexible outcomes and time scales. As the States is unlikely to be able to contribute significant capital to the venture, both in terms of monetary contribution and market access, entering such an arrangement would likely require additional governance overheads relative to other options and would provide little additional benefit to either party.

- 6.5. Within the same stage, initial support was provided for the Strategic Partnership option. Suppliers recognised that partnership would provide greater flexibility than a Joint Venture vehicle and had the potential to provide a more cohesive model for innovation, development and mutual benefit than a simple service delivery model. Feedback from suppliers suggested that, in order to achieve all of the States' objectives, any Strategic Partner would likely need to be supported by a mix of on and off-island organisations, providing the benefits available from the scale and reputation of a leading partner with the insight and responsiveness of local and specialised services.
- 6.6. Whilst evaluation of the Internal Improvement Model in the market sounding exercise raised concerns about its capacity to stimulate economic development and provide effective support to Public Service Reform, the option was considered a useful comparator against which to assess external proposals and an important alternative for the delivery of Business as Usual IT services. The development of the model was continued alongside a formal procurement process to identify the Strategic Partnership options.
- 6.7. The formal procurement process saw solution design take place over a number of rounds of dialogue and discussion, ensuring that potential partners had a detailed understanding of the States' needs. The Internal Improvement Model option went through a parallel development process. The option was not intended to describe how the status quo might continue, instead it represented a significant change from today's service model and embraced new technological opportunities and ideas.
- 6.8. Evaluation of the Internal Improvement Model option, both internally and by SOCITM Advisory, however, showed that it would require considerable work and expense to before it could be implemented. It was determined that the proposed model would take approximately two years to implement any improvements to business as usual IT, which would cost £4.5m in staffing costs alone. Furthermore, the model would not free up any resource for transformation initiatives for the two years in which business as usual improvements were being made; a severe delay considering the significant change programmes and strategic objectives that depended on technological enablement. By its nature, the Internal Improvement Model was also unable to provide a meaningful

mechanism by which it could contribute to economic growth in the Island and risked drawing vital digital service skills out of the local digital sector.

- 6.9. The position of the Internal Improvement Model was in contrast to the Strategic Partnership option. Two potential Strategic Partners were able to offer robust solutions capable of delivering against the project's aims. The implementation of each solution was able to start immediately, facilitating the progress of change and the delivery of transformation within more acceptable timescales, and each of the solutions was judged to be affordable to the States. Both potential Partners had also proposed multiple initiatives capable of stimulating the local digital economy and had illustrated how they would leverage their expertise and international standing to the advantage of the Island.
- 6.10. Based on the assessment of the detailed solutions, a Strategic Partnership was identified as the sourcing arrangement able to deliver the best value to the Island. The Committee chose to suspend the development of the Internal Improvement Model and elected to engage with the two potential partners in the final tendering process. If the States' chooses not to enter a Strategic Partnership, the Internal Improvement Model will need to be developed further.

7. The Strategic Partner – who is Agilisys Limited?

- 7.1. Agilisys Limited was the better performing partner at tender. The solution put forward by the company was informed by its considerable experience of IT delivery, change and transformation in public sector organisations, as well as by its close relationships with other leading technology organisations. Agilisys Limited intends to set up Agilisys Guernsey Limited specifically to manage the relationship with the States of Guernsey and with its partners.
- 7.2. Agilisys is a UK based, employee owned company specialising in the provision of IT services and digital transformation in the public sector. The company has a strong reputation for delivering technology enabled change and innovation, particularly within local and central government, schools, police, and healthcare organisations, including work with local councils, the Legal Aid Agency and the NHS Business Services Authority. An important principle of Agilisys' partnership working approach is to complement and not compete with local companies wherever possible.
- 7.3. Throughout the UK, Agilisys is involved in a range of long-term partnerships in the public sector, including established relationships with the City of London Corporation, City of London Police, North Somerset Council, and the London Borough of Barking and Dagenham. These partnerships have delivered significant savings, helped to create digitally-based customer services and have

fed back into digital support for the local economy. Across its partnerships, a key principle of Agilisys' working approach has been to complement and not compete with local companies wherever possible. Over the course of the development process, the project team visited these sites and saw first-hand Agilisys' contribution to their success.

- 7.4. Many of Agilisys' partners faced similar challenges to those experienced by the States. When the company partnered with the City of London, the corporation's IT infrastructure was reaching the end of life and did not effectively support staff to work across the 120 different sites used by the corporation. Agilisys worked with the City of London to move from a model based on on-premises data centres to the use of cloud-based systems and services, including the implementation of Office 365. This work transformed how staff were able to work and interact and enabled more flexible and efficient services.
- 7.5. Like the States, the customer services of North Somerset Council were focused around costly traditional engagement channels. Agilisys supported the Council to achieve its ambition to shift both staff and customers to a 'digital-first' approach; enabling the Councils' teams to drive uptake of new digital channels through effective public communication and by embedding a working culture focused on giving high-quality guidance to the community. These improvements have reduced the Council's reliance on traditional support channels and saved over £800,000 to date. The Council now aims to have more than 70% of households signed-up to online services by 2020.
- 7.6. The London Borough of Barking and Dagenham entered a long-term partnership with Agilisys to deliver transformational improvements in services and generate the savings necessary to address the growing financial pressures on the council. Agilisys' helped to develop the Ambition 2020 transformation programme which set out to design services around customer need rather than departmental silos. Through this programme, Agilisys' introduced a new operating model and designed, delivered and optimised new services. The programme is predicted to deliver recurring annual savings of £50m.
- 7.7. To ensure that the States has reliable and wide-reaching access to best-practice, even in specialist areas, Agilisys will lead an organised network of suppliers as its sub-contractors, including on-island organisations wherever possible. Some suppliers will play a more active role and will be appointed as key-subcontractors. Each supplier will be managed and assured by Agilisys and will deliver services aligned to their own knowledge and experience. Agilisys and its supply chain will be committed to knowledge transfer, seeking to upskill the Island IT community and the States workforce to minimise future reliance on off-island resources. Whilst Agilisys will be the States' contracted partner and will be

responsible for the performance of any sub-contractors, the States will retain control over key procurement decisions.

- 7.8. Agilisys will also be supported by the experience of the wider Blenheim Chalcot family of businesses, of which Agilisys is a member. Blenheim Chalcot specialises in building digitally-enabled businesses. Following established and proven methodology, the company supports these businesses to take them from initial idea, into start-up and scale-up, right through to full enterprise scale. The company has built over 40 businesses in a variety of sectors, including technology, financial services, education, travel, software, sport and media. Blenheim Chalcot and particular companies within their portfolio will have specific and contractually defined roles in supporting Agilisys' contributions to economic development on the Island.
- 7.9. Agilisys used its extensive experience within the UK public sector and the specialist advice of partners and local organisations to help the States develop an IT service solution tailored to its needs and which drives a large number of the benefits available from a Strategic Partnership.

8. The Solution – what will a partnership with Agilisys provide? What benefits does this deliver?

- 8.1. The solution co-developed with Agilisys is based on the three pillars of the project's scope; business as usual IT services, enabling and accelerating change and Public Service Reform and stimulating the local economy. The solution to each pillar has been designed in tandem and following a consistent set of principles. These principles support the aims of the project and ensure that the solution is aligned to the States' priorities and needs:
- **Co-design and co-deliver** – The solution will be developed and implemented through collaboration between the States and Agilisys;
 - **Integration** – The approach to each pillar has been designed to complement and support the other pillars, providing a cohesive solution which meets all of the States' IT requirements and which will work holistically with other States operations;
 - **People Matter** – The solution emphasises employees' interests and invests in opportunities for development and training;
 - **Business Focus** – The approach prioritises achieving business outcomes and better services, using technology as an enabler and recognising that change management, organisational engagement and communication are key to success;

- **Measure and Manage** – Robust measurements will be used to drive performance and identify problem areas or opportunities for improvement;
- **Perception Matters** – The focus will be on delivering services that work for the user, with user perception being used as a key measure of success;
- **Proportionality** – A proportional approach and level of governance will be applied that reflects the relative complexity and scale of the States;
- **Flexibility** – The solution will be sufficiently adaptable to reflect the change ambitions of the States, provide flexibility in policy making and allow new opportunities to be easily explored and adopted;
- **Innovation** – New and more effective ways of delivering services will be continually explored and existing practices will be challenged;
- **Community Engagement** – The solution will build ties within the local community to help inform service development and identify opportunities for digital sector growth or use of on-island resource;
- **Value for Money** – The approach will balance cost, quality and local investment to maintain value for money from an Island perspective; and
- **Assurance** – Pace will be balanced with assurance to ensure that service continuity is maintained and all States obligations are met.

8.2. These principles have been consistently applied across each of the pillars and will continue to be used to guide change over the course of the solution's implementation.

8.3. Business as Usual IT Services – how will Agilisys deliver day-to-day IT services?

8.4. Business as usual IT services include both the technical infrastructure that the States relies on, such as databases, software applications, computers and internet services, and the support services responsible for managing and maintaining such infrastructure. Agilisys will assume operational responsibility for these services and will take over the management of the supply chain and existing States IT contracts.

8.5. The Partnership with Agilisys is not intended to preserve like for like. Over time, Agilisys will also transform and modernise IT provision to generate the following benefits:

- **Improved customer and user experience** through the provision of a service which 'just works', minimising the inefficiencies and frustrations generated by IT issues or inconsistent service provision;
- **A more stable and flexible platform for operational and policy change** supporting future States-led transformation of public services;

- **Staff development opportunities** through the refocusing of States IT staff as services are transformed and by investing in training and skills development; and
- **Greater value for money from the States' IT spend**, delivering modern and fit-for-purpose IT services with an average cost comparable to the current spend. Following the increased spend in early years on the transition and improvement of services, costs will start to reduce and savings of £5.9m will be generated by the end of the contract term. These will be delivered by making use of economies of scale, reducing duplication and embracing modern technological opportunities.

8.6. To maximise benefits, the changes proposed will balance the use and improvement of existing infrastructure with the replacement of higher risk or more limiting systems. The approach to delivering the benefits is summarised below, further detail on the solution is available in the FDS Full Business Case which is available to States Members.

8.7. *Improved Service Support:*

Within the Partnership, Agilisys will take responsibility for the operation and management of IT services. Agilisys will be applying industry best practice to minimise service disruption, manage incidents and issues, address service requests, and plan for change. Service management will be driven by data collection and insights, taking into account user experience and perception to maintain service quality, promote continuous improvement, and proactively identify problem areas or recurring issues.

Unlike at present, access to vital services will be more readily available 24 hours a day and seven days a week. This will be achieved through Agilisys' service desk which will be augmented by specialist resources, as well as by expanding the self-service options available to staff. Leveraging a wider resource pool will also help to ensure that resource costs can be managed by need, and will improve the resilience of services by providing greater capacity to deal with major or specialist incidents.

8.8. *Provision of On-Island and Integrated Data Infrastructure:*

The States' storage, access and processing of data needs to facilitate joined up and modern working and maintain the necessary levels of security. At present, the States uses seven main data centres and maintains hundreds of separate databases. These data centres are reaching capacity and nearing end of life. Agilisys intends to migrate the States' systems onto two modern, industry-standard on-island data centres, augmented by cloud-based services for less sensitive data. As well as dedicated provision for the States, these data centres will have the potential to expand to support both local and off-island organisations in need of Guernsey based infrastructure.

This approach ensures that data sovereignty is maintained, keeping all sensitive data on Guernsey and under the control of local legislation. It also provides the opportunity to reduce the support costs and premises requirements associated with the current data centres, the savings available from not having to support these data centres is approximately £0.5m per annum. This significant saving results from avoiding the strict 24/7 requirements for electrical supply, temperature and humidity that a data centre needs to remain operational.

8.9. *Maintaining Information Assurance and Security:*

Agilisys will employ best practice management tools and staff training to ensure States' information is properly secured and protected. The service will primarily be provided by a local on-island security team, supported and mentored by the Agilisys Security Centre of Excellence team. Further enhancement of the service will be provided through a leading UK based Security Operation Centre. This provision will ensure access to global intelligence data and support the 24/7 monitoring of system activity.

The States will retain a Head of Information Assurance to ensure that information security ownership remains within the organisation.

8.10. *Streamlined Application Use and Improved SAP Management:*

At present, the States employs over 4000 different software applications to deliver its functions. Agilisys intends to conduct a service-led rationalisation exercise to standardise the applications used across the organisation; delivering cost and efficiency savings in the process. This exercise will be accompanied by the introduction of robust application management practices to ensure that the States uses the tools best suited to its needs and that functionality is not unnecessarily duplicated across service areas.

As SAP applications form the core business system used by the States, Agilisys has given them specific consideration within the future delivery model. To enhance how SAP applications are used and ensure that a high-quality support service is available, Agilisys intends to work in partnership with a SAP specialist. The partner's extensive SAP knowledge and experience which will help improve the States' use of SAP and drive the delivery of the States of Guernsey SAP Roadmap project. Where SAP represents a good option for the States, the project aims to upgrade the current SAP provision, including an improved user interface and the automation of routine tasks. The project was prioritised within the capital portfolio and is intended to be delivered as part of the Strategic Partnership.

8.11. *Facilitating More Efficient Ways of Working:*

Agilisys will adopt and upgrade the States' existing user devices, including personal computers, laptops and phones. Upgraded devices will provide solutions for flexible and mobile working and supply the tools needed for collaborative and efficient delivery between service areas and locations. Efficient working will also be supported by the provision of high-speed network connections by a local telecommunications partner, allowing States' staff and customers to access fast and reactive systems.

8.12. *Improved Supply Chain Management:*

In order to benefit from the economies of scale and global relationships available to the company, Agilisys will manage the IT supply chain on the behalf of the States of Guernsey. Agilisys' role will be subject to States' governance, for example the States and Agilisys will share contract award decisions based on the value and criticality of the contract. This will allow Agilisys to have a degree of tactical autonomy whilst ensuring that the States has the final say in services which enable the delivery of its core functions.

Over the course of the procurement process, Agilisys had the opportunity to examine, in detail, the States' supply chain, which includes hundreds of contracts. Agilisys has identified multiple savings within the States' current arrangements. These savings will be enabled over the course of the contract through partnerships with key subcontractors, the rationalisation of the supply chain to remove duplication, and intelligent and strategic sourcing through Agilisys' network and on-island suppliers. The predicted savings have been priced into the contract.

A complex and extensive supply chain is not unique to the States, Agilisys have considerable experience carrying out similar exercises with other clients. Any drive to make savings in the supply chain will be balanced with the need to support local businesses and facilitate digital growth on the Island.

8.13. The overall solution for business as usual services will remove service risk, create operational efficiencies and provide higher quality, fit-for-purpose IT services at a price comparable to the States current spend. Alone, however, improving services and making modern technology available to the organisation will not deliver the full suite of benefits available from technology. Accompanying business change will be essential to deliver significant, ongoing value.

8.14. Enabling and Accelerating Change - how will the Partnership support change and transformation initiatives?

8.15. In order to successfully leverage digital services to meet the States' ambitions, two important responsibilities have been identified for the Partnership; enabling

digital transformation and building digital capability and capacity. The solution developed with Agilisys will meet these responsibilities and support the delivery of extensive benefits to the organisation:

- **Significant savings and customer service improvements through the delivery of digital transformation.** Agilisys will support the technological changes needed to deliver prioritised projects and programmes such as organisational redesign;
- **An accelerated pace of change and transformation** through ready and cost-effective access to expertise and resources beyond the States' current provision and through the effective coordination of organisation wide resources;
- **Development of greater change capacity within the organisation** by enhancing resource capability as well as implementing the necessary service standards and technical foundation to support future IT and business change initiatives; and
- **Staff development opportunities** through knowledge transfer and increased digital familiarity.

8.16. Business change and transformation will need to be led by the Committees involved. Whilst the Partnership will provide greater access to resources to support business transformation and IT change and, over time, will help to release resource through the digitisation of services, capacity will be required from officers across the States in order to deliver on the potential of the Partnership.

8.17. The responsibilities that support these benefits are described below, further detail is presented in the FDS Full Business Case which is available to States Members.

8.18. *Delivering Digital Transformation:*

Digital transformation is a mechanism through which the States intends to deliver its strategic goals. At present, the States does not have the capacity or capability to readily deliver the level of transformation planned or the ability to rapidly access the scale of supporting external resource necessary. In order to address this issue, an integral part of the 'enabling and accelerating change' pillar is the appointment of the Strategic Partner as the preferred supplier for digital transformation, whether these services are provided directly by the partner or through a sub-contractor managed by Agilisys.

The role of the Strategic Partner will be three-fold: providing strategic advice to support the design of large-scale transformation programmes; identifying and delivering technical solutions for the organisation; and supporting service area change and benefits realisation. Under the direction of the States, the

experience and expertise of Agilisys will help support the delivery of the Public Service Reform framework and key organisational priorities, including the Partnership of Purpose, Education Digital Road Map and the ambitious programme for organisational redesign.

To enable the business change required by these projects, Agilisys will use its past experience and industry relationships to help identify and implement technological enablers. It will also support user insights and service design and advise on change management methods to support staff and customers. The structure of the Strategic Partnership will ensure that change is considered from an organisation-wide perspective, rather than focusing only on the needs of particular projects or service areas. This will minimise duplication and repetition and ensure that customer services are seamless and that solutions can be adapted and expanded over time.

Whilst initial review and analysis has taken place, a more detailed investigation and planning exercise will be conducted early on in the Partnership so as to scope, cost and prioritise Public Sector Reform projects. The current framework for the projects involves two main work streams focused on States-wide enabling services and key areas of operational transformation. These work streams are intended to significantly improve customer services, generate efficiencies and support the organisational redesign of the public service. Example projects within the work streams are shown in figure 8.1, these will be refined and validated as part of the preliminary work with Agilisys.

Work streams	Example Projects
Enabling States-Wide Services	<ul style="list-style-type: none"> - Develop a States-wide technology foundation upon which integrated customer services can be built, - Upgrade current SAP provision to enable business change and manage storage costs, - Develop customer relationship management and corporate data management systems, - Further develop States' wide customer sign-on, authorisation and verification, and - Develop States' wide document management systems, enabling reduction of costly paper movement and storage and enabling service improvement for customers.
Service Area Transformation	<ul style="list-style-type: none"> - Digital transformation of States' support services (e.g. transformation of HR, transactional finance, purchase to pay processes, e-rostering, property services, etc.), - Identification of common service area requirements and opportunities, and

Work streams	Example Projects
	- Digital transformation and re-design of the States service areas, focusing on transactional services, including building a clear understanding of customer's service needs and expectations.

Figure 8.1: Potential digital transformation projects

Provisional scope and funding estimates project that £16.7m will be needed from the Capital Reserve to deliver the key projects. It is proposed that this funding be delegated to the Committee to release to individual business cases that make a compelling case for delivering identifiable service improvement and financial benefits. This will help to accelerate the delivery of the Public Service Reform framework outcomes.

8.19. Building Digital Capability and Capacity:

Rather than generating a long-term reliance on external resource for the delivery of change and transformation activities, the Strategic Partnership seeks to build internal capability and capacity for the design, support and assurance of digital services. In order to support this, Agilisys will work with the organisation to create a joint function capable of providing and championing digital skills and standards across the States. This is aligned with the expectations of the People Plan and the ongoing process of organisational redesign.

Agilisys will support the development, launch and operation of the shared function, helping to develop it into a fully working team tailored and scaled to meet the States' needs. The function will be expected to provide guidance and advice on high-quality digital services, support the delivery of key change initiatives, identify opportunities for digital transformation, set and assure digital standards, and help to embed a digital mind-set and culture across the States.

The function will include Agilisys employees as well as States staff. In this way, Agilisys will provide access to proven methodology and extensive change experience, whilst investing in the knowledge transfer necessary to build States capability. Once the function has been stabilised, it is likely that Agilisys' involvement will shift to an advisory role, helping to ensure that the function remains relevant, can tap into best practice and can rapidly access specialist expertise when needed.

8.20. The solution proposed for enabling and accelerating change balances the support needed for the States' long-term goals with the delivery of tangible early improvements. Agilisys will resource and promote near-term change efforts whilst using their experience to build the in-house capability and knowledge required to support future change and transformation.

- 8.21. Stimulating the Local Economy – how will Agilisys contribute to economic development?
- 8.22. By opening up new opportunities for growth and disrupting established ways of doing business, technological advances are having a significant impact on economies around the world. The Economic Development Strategy recognises that the digital sector represents an important opportunity for the Island and acknowledges the role that the States can play in driving sector growth.
- 8.23. Over the course of the Strategic Partnership, Agilisys will work with the States and the local community to deliver a significant programme of economic development initiatives aligned to the Economic Development Strategy. This will include initiatives funded and driven by Agilisys and its parent company Blenheim Chalcot, as well as projects developed alongside the States. The company's efforts will be designed to complement, rather than compete with, any other Island initiatives, such as the Digital Greenhouse. Agilisys is committed to contributing 2% of revenues earned as part of the Strategic Partnership contract to help finance this activity.
- 8.24. Agilisys and Blenheim Chalcot will focus on the areas in which they have particular expertise and which are aligned to Guernsey's future needs. The planned timeline of activities will deliver:
- **Significant opportunities for digital sector growth** by actively advising and supporting both start-up and more established technology businesses on the Island;
 - **Improvements in local digital infrastructure** by investing in facilities and enablers for on-island businesses. This will help to build an entrepreneurial environment in the Island; and
 - **Enhanced digital skills in the workforce** by creating the environment and means for the Island's population to become more digitally proficient. In turn, a more proficient workforce will better support existing businesses and help to attract new employers.
- 8.25. Important commitments within Agilisys' first phase of work are described below. Further detail is presented in the FDS Full Business Case which is available to States Members.
- 8.26. *Opportunities for Digital Sector Growth:*
The digital economy is a significant growth sector across the globe, for example the EU digital economy is growing at 12% each year. The States' Economic Development Strategy identified MedTech (medical technology), FinTech (financial technology) and digital services as prioritised areas where Guernsey would aim to leverage this sector growth to enhance its own economy. The

Partnership with Agilisys provides the opportunity to drive this aim forward and to effectively support emerging and established businesses on the Island.

Agilisys is a member of the Blenheim Chalcot Group of companies which specialise in developing digitally-focussed businesses from start up to full enterprise scale. Agilisys intends to lead the creation of a Blenheim Chalcot presence in Guernsey, focussed around a MedTech Innovation Centre and a FinTech Innovation Hub. This presence will provide Guernsey with proven infrastructure, sector and business growth expertise and independent funding to encourage and support business development in these desired elements of the digital economy. They will work with both existing ventures and new ventures to support research and development, start-up and scale. Furthermore, Blenheim Chalcot intends to use its own network and connections to encourage global and UK technology providers to start their new ventures or conduct their product test and rollout in Guernsey.

The centres do not sit in isolation but are complemented by a range of other initiatives which will provide further opportunity for digital growth. These will include an annual competition for digital entrepreneurs (where the winning business each year will be required to incorporate in Guernsey), events promoting Guernsey as a business destination, further access to digital venture experts in the form of mentors, advisors and non-executive directors, and a States of Guernsey office, for the promotion of the Island's digital economy, based within the new business innovation campus of Imperial College London.

8.27. *Improvements in local digital infrastructure:*

Guernsey's digital infrastructure provides the fundamental facilities and systems necessary for the economy to function. Appropriate investment in infrastructure is therefore critical for continuing economic diversification and growth. In recognition of the importance of digital infrastructure, Agilisys intends to expand on its improvements to the States' own infrastructure to support wider businesses.

Through the creation of two new data centres on-island, Agilisys will be able to provide access to high grade, well supported facilities for the hosting and storage of data. This access has the advantage of allowing private businesses to keep their data on-island, without needing to maintain dedicated premises, and promotes the Island as a data hosting environment.

Agilisys also intends to enhance the bandwidth and connectivity available at three economic development 'hubs' (chosen by the States) to support the creation of a best practice entrepreneurial environment in the Island, building on the work carried out by the Digital Greenhouse. Fast and consistent internet connectivity is a necessity for consumers and business using or developing digital

services. With the addition of this connectivity, business will be better positioned to develop and grow without incurring excessive additional costs for themselves.

8.28. *Enhanced digital skills in the workforce:*

As businesses become increasingly reliant on technology, digital skills play an increasing role in supporting not only the digital sector but the wider economy. The Skills Guernsey Action Plan⁷ and the Economic Development Strategy both recognise the need to invest in local digital skills development. Agilisys has committed to a number of initiatives intended to increase digital awareness and support digital skills development and retention in the Island.

To encourage digital interest and capability amongst young people, Agilisys intends to provide a bitesize learning platform (Dot Native), for local secondary schools. The platform includes hundreds of short videos and interactive content and covers digital marketing and digital business. Further to this provision, Agilisys will sponsor a digital apprenticeship programme to support a number of local candidates to develop best in class digital skills.

Skills in digital leadership and business development will be enhanced by the delivery of three digital bootcamps aimed at local business leaders and entrepreneurs. These bootcamps will be complemented by funded training opportunities (including Squared Online Digital Marketing and Innovation Programme) for those people starting, scaling and supporting businesses in Guernsey and by a 'Guernsey Digital Academy' application which will improve connections to learning and training opportunities and create a community for digital development.

8.29. Each year Agilisys will issue a formal end of year economic development report. From 18 months there will be a joint review of the company's economic development plans for the future. This will ensure that Agilisys' investment continues to complement the States' objectives and any other economic development initiatives in the Island. Agilisys intends to work with the States to establish a Global Entrepreneurship Index rating for Guernsey that aligns with the Global Entrepreneurship and Development Institute (GEDI) methodology. The GEDI methodology collects data on entrepreneurial attitudes, abilities and aspirations in the local population and then assesses these alongside the infrastructure that supports business development, including broadband

⁷ Skills Guernsey Action Plan 2018 - <https://www.gov.gg/CHttpHandler.ashx?id=116313&p=0>

connectivity and transport links to external markets. The results of the rating will help to measure progress and direct future action.

9. Next Steps – how will change be introduced?

- 9.1. It is important that improvements to the States' digital services are progressed at pace. To successfully transition the States' IT model, Agilisys intends to implement four phases of work: Adopt, Adapt (together, Adopt and Adapt make up the Transition period), Transform and Improve. The indicative timeline for these phases is illustrated in figure 9.1, the transition and transform phases will run concurrently wherever possible to ensure that improvements are implemented at pace.

Phase		Duration	Purpose
Transition	Adopt	Approximately 4 months	The rapid and smooth take-on of employees, assets, contracts and services, with Agilisys assuming responsibility for the delivery of services. This phase has been designed to balance pace and risk and to minimise disruption to the States and for employees.
	Adapt	Approximately 4 months	A programme of quick-wins and service improvements, implementing the Agilisys suite of tools and processes that will underpin rapid enhancements, and provide a foundation for transforming the service.
Transform		Approximately 24 months	Delivery of a comprehensive transformation programme to deliver the States' specified service and outcomes, drawing upon Agilisys' experience of delivering change in other public sector organisations.
Improve		Until the end of the Partnership.	Ongoing continuous service improvement and innovation activity, fuelled by insights from performance management, user experience tools, and insights from Agilisys and its partners.

Figure 9.1: Indicative timeline of phases. Phases will be run concurrently where possible in order to deliver the desired pace of service transformation.

- 9.2. Successful delivery at pace will require organisational and cultural change well beyond the proposed changes to IT service provision. Whilst the Partnership will provide greater access to IT change experts and technological enablers, capacity will be required from officers across the States to provide service area insight and help drive the redesign and improvement of services. Leadership and ongoing commitment will be required from the States, Committees and senior

management in order progress enhancements to IT and drive through the business change that new technology will enable.

- 9.3. The approach will deliver early benefits whilst enabling Agilisys to build up a detailed understanding of the States' needs and customer's requirements so that major changes are well targeted and offer value for money.
- 9.4. Early developments will include: faster response times for user devices such as desktop and laptop computers, the introduction of a service desk to enhance call response and self-service options, the introduction of improved monitoring tools to reduce the risk of incidents, automation of standard SAP tasks, an increase in internet capacity, and improved resource access and management to ensure that key projects can progress efficiently.

10. The Partner Relationship – what risks are generated by the future delivery model? How will these be mitigated?

- 10.1. Alongside the benefits available, there are a number of risks posed by a Strategic Partnership, from maintaining strategic alignment to preserving service continuity. The partner relationship has been designed to minimise these risks and ensure that the States retains control when and where it matters. Control and supervision of Agilisys' performance will be through the partnership agreement, not through the States' shareholding in the corporate entity. The contract form used is robust and is based on a UK government form, tailored as necessary, with a number of public sector protections.
- 10.2. Governance and Oversight – how will the relationship be managed?
- 10.3. Whilst Agilisys will be responsible for the management and delivery of IT services, the States will retain control continue to be responsible for the development of IT strategy, prioritising projects, and for defining service standards. In order to fulfil these obligations, ongoing engagement and internal knowledge and assurance will be required.
- 10.4. Recurring formal engagement will take place through a multi-layered governance structure. The structure will include existing States' governance entities and new boards established specifically for the FDS Partnership (including representation from both the States and Agilisys), figure 10.1. This structure will drive the Partnership from a strategic, senior management and operational level. The governance structure will be kept under review to ensure that it remains fit for purpose as the Partnership develops and endures.

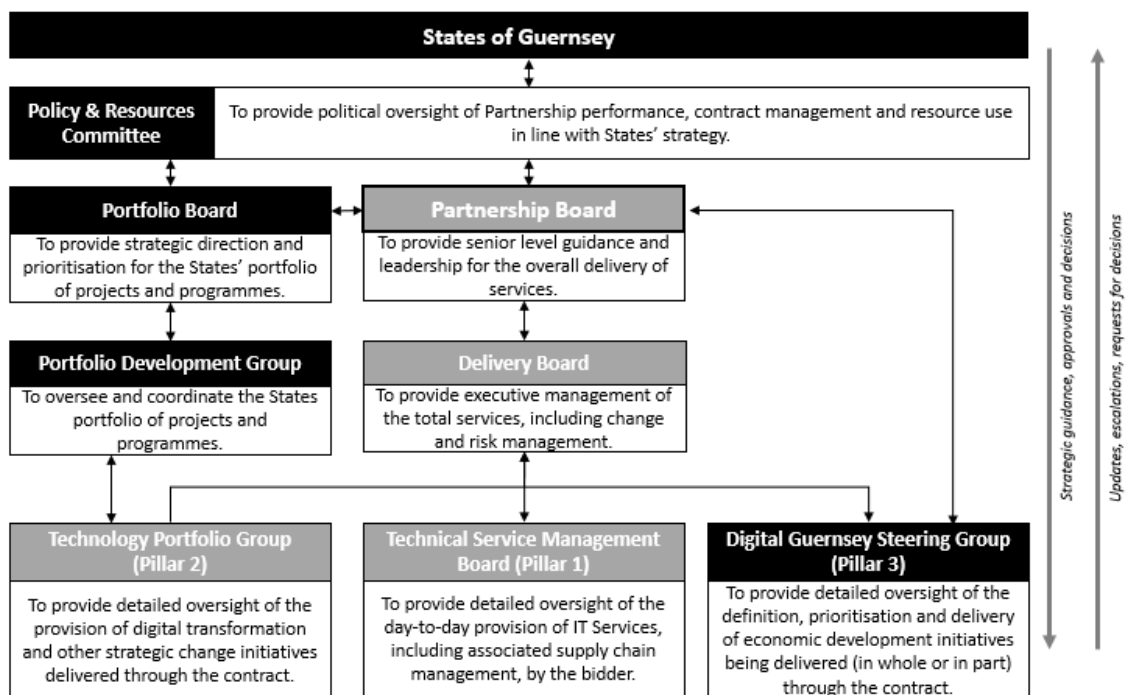


Figure 10.1: the Strategic Partnership governance structure. Boards shown in black are existing components of the States' governance structure, they will control, direct and prioritise the work in the States. The Boards shown in grey have been created to control and assure the Partnership.

- 10.5. The Partnership Board will include officers from the States' Strategic Leadership Team and senior representation from Agilisys. It will be accountable to the Policy & Resources Committee for the delivery of IT services in line with the policy and priorities set by the States. The Policy & Resources Committee have political oversight of the Strategic Partnership and will manage the prioritisation of work in line with States' strategy. As at present, major strategy or spend decisions will be escalated to the relevant Committees or the States Assembly for approval.
- 10.6. The governance for the economic development pillar and the change and transformation pillar will be incorporated into existing States' reporting structures. The Digital Guernsey Steering Group, which has political and officer representation from the Committee for Economic Development and the Policy & Resources Committee, will provide oversight for the programme of economic development initiatives. The existing Portfolio Board provides strategic direction and prioritisation for the States' portfolio, including the projects carried out within the Partnership. The Portfolio Development Group will help to oversee and coordinate these projects, particularly considering wider States' initiatives.
- 10.7. The structure will help to ensure that a 'golden thread' of States' strategy is reflected in all of the services delivered by Agilisys. It will promote a collaborative approach to problem solving, ensure that decisions are well informed and are

made at the right level, and allow any new issues or opportunities to be easily raised and explored. The structure will be reviewed after a year to ensure that it is operating effectively.

- 10.8. In support of the governance structure, the Committee intends to establish a Retained IT Function to manage the relationship with Agilisys on a day-to-day basis. The function will consist of a small multi-disciplinary team with the knowledge and understanding needed to assure that IT services continue to meet the States' needs. The team will include technical skills to aid IT strategy and standards development, transformation skills to assure the delivery of projects and change activities, and contract management skills to ensure the relationship continues to deliver value for money. The team will not replicate roles provided by Agilisys or which exist elsewhere in the States, its structure will be regularly reviewed to ensure that it continues to meet the States' needs.
- 10.9. Performance Management and Change Control – how will service excellence be maintained?
- 10.10. Over the course of the options development process, a comprehensive service catalogue was created which set out the requirements and standards for all IT services in the States. The bid put forward by Agilisys was assessed against these requirements and was found to be capable of meeting them. In order to ensure that the solution continues to meet States' needs over the life of the Partnership, these standards and associated key performance indicators will form part of an extensive performance management regime. The movement to a Strategic Partnership will also allow the creation and formalisation of Service Level Agreements for IT services, agreements which cannot be created with the current ISS service.
- 10.11. The regime will consist of a blend of incentives and penalties to encourage ongoing service improvement and support a collaborative relationship between Agilisys and the States. The regime will be developed and tested as the contract embeds. The incentivisation process will only commence when both partners agree its principles, however, from the start of the relationship, Agilisys' service will be required to achieve at least the levels currently provided by ISS. There are detailed transparency and audit provisions regarding the provision of information in the contract, including performance information. In addition, a large portion of the expected efficiencies are included in Agilisys' price offer and there is a profit cap with requirements to bring the contract price back within the cap should further savings be made.
- 10.12. As technology develops and the States' strategy evolves, IT requirements will likely change. In order to ensure that the solution provided by Agilisys remains fit-for-purpose, opportunities for review and refresh will be built into the

management cycle. This will help ensure that the States can embrace the latest opportunities, meet emerging needs and remain aligned to customer and user expectations. Agilisys' solution will also be designed and implemented so as to help prevent the peaks of IT investment which create legacy systems, instead the infrastructure will be designed to allow continuous and cost-effective refresh.

- 10.13. The review cycle will be complemented by robust change control procedures to support the ongoing evolution of the solution. The change control mechanism will vary depending on the significance of the change proposed; small and low-risk changes will have minimal governance requirements whilst changes with commercial impact or higher risk will only be progressed on the basis of detailed business cases and binding quotes from Agilisys. The change control process will be directed by the States.
- 10.14. Employee Transfer – how will employee rights and service continuity be protected?
- 10.15. Entering a Strategic Partnership will require the transfer of all of the States of Guernsey ISS employees, excluding those who will form part of the Retained IT Function. This possibility was recognised early on in the development process and extensive consultation has taken place with affected employees and unions. Both the Committee and Agilisys recognise that effective transfer arrangements will be critical to protect employee rights, retain key employees and preserve service continuity for the organisation.
- 10.16. The Committee believes an Ordinance made under the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001 ("the 2001 Law"), will provide the best mechanism to facilitate a transfer. This Law provided for the transfer of the undertaking of the then States Telecommunications Board, and for the States by Ordinance to apply the Law's provisions (subject to appropriate exceptions, adaptations and modifications) to the transfer of the undertaking of other States' committees. Ordinances were made in 2001 in exercise of this power transferring the undertakings of the Electricity Board and the Post Office Board, and it is proposed that a similar Ordinance is made in this case to transfer ISS (other than those who will form part of the Retained IT Function). The Law (broadly based on the TUPE legislation in force in the UK at the time it was enacted) and Ordinances made under it provide for the transfer of staff out of the States without the termination of their contracts of employment and other protections for transferred staff.
- 10.17. The Ordinance will be used to move staff to a new corporate entity separate and distinct from Agilisys Guernsey and from the States. The entity will act as an employer only and will not hold any leases, contracts or assets. Staff transferred to the entity will be employed on terms and conditions equivalent to their

current position and it is intended to provide the entity with Admitted Body Status for the States' Public Servants Pension Scheme. As part of the scheme, transferred staff will retain their current pensions and will continue to be impacted by any changes to the rules. Agilisys will be responsible for the pension costs associated with any promotions over an agreed threshold.

10.18. For individuals to be employed in the entity, they will need to spend at least 50% of their chargeable time on States of Guernsey IT delivery. If a vacancy arises in the entity, the replacement staff member will also be employed by the entity (although will not be protected by the Ordinance). This provides the States with a means to protect and transfer key staff, minimising the risk to the organisation. When the contract with Agilisys ends, or should it be terminated, staff in the entity could be easily moved back in-house, or to a replacement partner, via share transfer. This share transfer would be controlled by the States through its own 'golden share' in the entity.

10.19. The diagram below provides an overview of the proposed staff movement and of the subsequent transfers that could be triggered at the end of the Partnership.

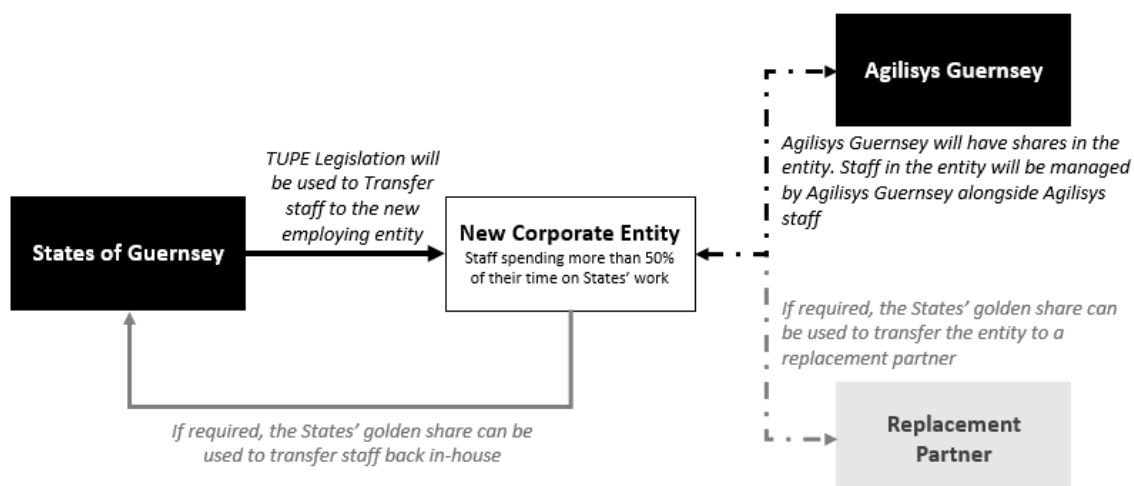


Figure 10.2: Staff transfer pathways

10.20. Agilisys has had extensive experience with similar employee transfer arrangements, including approximately 1,300 staff transfers under the UK's Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). As part of the site visits carried out in the procurement process, the project team verified Agilisys' successful track record, including interaction with the transferred staff.

10.21. Without the use of an Ordinance made under the 2001 Law to transfer staff to the new entity, or a new Law, there would be a requirement for the redundancy-based dismissal of approximately 70 staff, alongside a corresponding re-

engagement by the Agilisys of those staff wishing to transfer. Should employees choose not to re-engage, the majority would be entitled to redundancy pay.

10.22. The Committee believes that such an Ordinance represents the best option for existing staff and the organisation. In order to minimise the period of uncertainty for staff, an Ordinance under the 2001 Law has been included on the agenda for the States Meeting in July. If the TUPE approach is not endorsed by the States, this Ordinance will be withdrawn.

10.23. Preferred Supplier Status – how will outlying cases be handled?

10.24. The States of Guernsey delivers a large and diverse range of public service functions. In this context, it is vital that the States is not bound to award all IT work to the Partner irrespective of whether they have the relevant skills, experience or access to technology. Agilisys will therefore be awarded 'preferred supplier status' for any business as usual IT services commissioned within the scope of the contract and for the digital and IT aspects of transformation work. Whilst the Committee intends to develop a true partnership with Agilisys and is satisfied that the organisation is well placed to develop and improve the vast majority of the States' digital services, preferred supplier status removes the risk associated with outlying cases where the States delivers particularly niche or sensitive services. Preferred supplier status also allows particular project work to be diverted to other suppliers, should Agilisys fail to perform adequately in that area.

10.25. Exit Provisions – how will control be maintained in the case of termination?

10.26. As part of the relationship with Agilisys, the States has extensive termination rights. These rights are not limited to a scenario in which the Partner triggers a 'termination event' through extremely poor performance, but include reasons such as bringing the States into disrepute, change without the States consent, loss of States' data, change of Partner control without the States consent and failure to decrease charges where profits are being generated above the agreed profit margin. These rights also include a provision for 'partial termination' should Agilisys prove to be unable to deliver a specific service effectively and a 'voluntary termination' should the States wish to end the contract at any time. Voluntary termination would be subject to the payment of appropriate breakage costs.

10.27. Termination for States' default is largely limited to the non-payment of undisputed sums above a set threshold and to unforeseeable circumstances that prevent the contract from being fulfilled (*force majeure*). This extends to any right to suspend service delivery. These measures prevent a supplier from applying undue leverage in a dispute.

- 10.28. Agilisys will be required to provide a comprehensive Exit Plan to help mitigate any risks associated with a planned or an emergency termination. The plan will detail how to transfer all, or part of, the States' IT services back to the organisation or to a replacement partner. The plan will be required to cause as little disruption or degradation to services as possible. Important considerations in the plan will be access to key employees (considered in sections 10.14-10.22), and access to assets and intellectual property.
- 10.29. To facilitate an effective exit, the States will grant Agilisys, by default, the right to use assets, rather than the ownership of assets, this will include any future assets implemented in the organisation. Agilisys will also accept the operational risk associated with asset use over the course of the contract. The contract also includes very robust arrangements for intellectual property rights. These provide the States with sufficient rights to bring any service back in-house, or transfer it to an alternative supplier, without losing access to intellectual property upon which the service relies. It also allows for the Partner to promote intellectual property on behalf of the States.

11. Financial Requirements – what funding will be required to support the Future Delivery Model?

- 11.1. The Partnership requires funding to deliver and improve business as usual services, provide support to wider transformation and change initiatives, and deliver the agreed economic development initiatives. Agilisys calculated the funding requirements based on the detailed operational plans developed over the course of the procurement exercise. These have been examined and validated by States' officers and by SOCITM Advisory. It was concluded that Agilisys' proposals offered the better pricing in comparison with other bidders and with known service benchmarks, therefore Agilisys was considered to offer the best value for money to the States.
- 11.2. The funding requirements are summarised in figure 11.1 below. This Policy Letter seeks States' approval for £43.6m of capital expenditure. It also seeks States direction for the Committee to take into account the ongoing costs of the contract when recommending annual cash limits and for the States to note the Committee's intent to use its existing delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership.

Cost Element	Total (£m)	Purpose
Annual IT running costs	£154.1 in total.	This funding will support the day-to-day delivery of modernised and fit-for-purpose IT services. It takes into account the savings from reduced power usage.
FDS Project Planning Costs	£1.2	This funding accounts for the seed funding spent on the FDS project to date.
Transition Costs	£3.1	This funding supports the transfer of core service provision from the States to Agilisys, applying corrective fixes as necessary.
Transformation Costs	£13.7	This funding will support IT transformation, focusing on improved user experience, improved network connectivity, and enhanced security management and monitoring.
Initial Infrastructure Asset Investment	£8.9	This funding will allow immediate investment in the States' core IT infrastructure and hardware assets to ensure that they are fit-for-purpose.
Total: £26.9m - Proposition 6		
Digital Transformation	£16.7	This funding will support the delivery of prioritised digital transformation projects within the framework for Public Service Reform.
<i>Proposition 7</i>		
Infrastructure and Asset Refresh	£11.1	This is the anticipated funding required from minor capital which will be used for ongoing infrastructure and hardware asset refresh over the course of the contract. It does not exceed the current IT minor capital allocations.
Future Infrastructure Asset Investment	Approx. £9.1	This is the predicted funding required for investment in core States infrastructure from 2021 onwards.
Economic Initiatives	-	Agilisys has committed to contributing 2% of revenue earned under the Strategic Partnership contract towards Economic Development.

Figure 11.1: FDS Partnership Funding Requirements

- 11.3. Pillar 1 – what funding is required for business as usual IT?
- 11.4. The cost for business as usual IT services includes the annual running costs of IT services, the transition costs to transfer IT service delivery to Agilisys, and the transformation and maintenance costs for core IT infrastructure.

- Annual revenue costs: **total £154.1m**
- Transition costs: **£3.1m**;
- Transformation costs: **£13.7m**; and
- Asset investment costs and lifecycle refresh: **£29.1m** (£11.1m minor capital and £18m major capital).

11.5. Annual Revenue Costs:

At present, the running cost for States IT services is approximately £16m per annum, this includes the total spend on in-house IT staff and on external licences, equipment and support. This baseline has been compared with the costs for service delivery proposed by Agilisys, as well as the costs that will be retained by the States for the Retained IT Function and for Home Affairs and College of Further Education support. Figure 11.2 illustrates the initial increase in costs required ahead of the realisation of benefits from Agilisys' transformation efforts. In the long-term, total savings of £5.9m should be generated relative to the £16m annual baseline.

Contract Year		Total £m	0	1	2	3	4	5	6	7	8	9	10
Actual Year			2019 5 mnths	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 7 mnths
In Scope SoG Baseline		£160.0	£6.7	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£9.3
Less: Continuing costs retained by States:													
- CoffE & Home Affairs		(£7.0)	(£0.3)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.4)
- Retained IT Function		(£7.2)	(£0.3)	(£0.8)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.5)
Directly Comparable Baseline		£145.8	£6.1	£14.5	£14.6	£14.6	£14.6	£14.6	£14.6	£14.6	£14.6	£14.6	£8.4
Agilisys Offer - BAU		£148.0	£7.5	£16.9	£16.0	£15.0	£14.5	£14.4	£14.2	£13.9	£13.8	£13.8	£8.0
Committed savings 1% below RPIX		(£3.4)	-	-	-	(£0.1)	(£0.2)	(£0.4)	(£0.4)	(£0.5)	(£0.6)	(£0.7)	(£0.5)
Total (New BAU Under Contract)		£144.6	£7.5	£16.9	£16.0	£14.9	£14.3	£14.0	£13.8	£13.4	£13.2	£13.1	£7.5
Continuing costs retained by States (above)		£14.2	£0.6	£1.5	£1.4	£1.4	£1.4	£1.4	£1.4	£1.4	£1.4	£1.4	£0.9
Total New IT BAU costs		£158.8	£8.1	£18.4	£17.4	£16.3	£15.7	£15.4	£15.2	£14.8	£14.6	£14.5	£8.4
IT Business As Usual Savings - Annual		£1.2	(£1.4)	(£2.4)	(£1.4)	(£0.3)	£0.3	£0.6	£0.8	£1.2	£1.4	£1.5	£0.9
IT Business As Usual Savings - Cumulative		£1.2	(£1.4)	(£3.8)	(£5.2)	(£5.5)	(£5.2)	(£4.6)	(£3.8)	(£2.6)	(£1.2)	£0.3	£1.2
Add: Additional Savings													
Estimated power costs savings		£4.7	-	£0.4	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.3
Total General Revenue costs		£154.1	£8.1	£18.0	£16.9	£15.8	£15.2	£14.9	£14.7	£14.3	£14.1	£14.0	£8.1
General Revenue Savings - Annual		£5.9	(£1.4)	(£2.0)	(£0.9)	£0.2	£0.8	£1.1	£1.3	£1.7	£1.9	£2.0	£1.2
General Revenue Savings - Cumulative		£5.9	(£1.4)	(£3.4)	(£4.3)	(£4.1)	(£3.3)	(£2.2)	(£0.9)	£0.8	£2.7	£4.7	£5.9

Figure 11.2: Comparison of the £16m baseline to Agilisys' Business As Usual (BAU) IT costs (£m)

The savings shown in Figure 11.2 include Agilisys' contractual commitment to make a 1% below RPIX efficiency saving per annum on non-staff related costs from the fourth year of the contract, which would be a genuine and significant saving in the order of £3.4m over the life of the contract. The figure also includes the predicted savings generated by the removal of the power related costs for the States' existing data centres. These data centres will be decommissioned by Agilisys early on in the Partnership, the running costs for their replacement have been included in Agilisys' offer. During the summer of 2018, the States conducted a technical audit and inventory exercise across its data centres which estimated the current power consumption costs to be £0.5m per annum.

It is important to note that figure 11.2 applies a flat £16m baseline predicated on current spend. This baseline however, is a relatively simplistic comparator and does not reflect the likely increase in IT costs that would occur over this period if the operating model did not change. If the Strategic Partnership is not pursued, the State's current IT model would need further revenue in order to address the increasing demand for data and resource and to continue to manage and maintain ageing systems. By way of illustration only, figure 11.3 demonstrates the impact on savings when the baseline is increased by 2% annually. In this case, overall savings increase from £5.9m to £19.1m.

Contract Year		Total £m	0	1	2	3	4	5	6	7	8	9	10
Actual Year			2019 5 mnths	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 7 mnths
Projected Baseline 2% increase		£173.2	£6.7	£16.0	£16.3	£16.6	£16.9	£17.2	£17.5	£17.9	£18.3	£18.7	£11.1
In Scope SoG Baseline		£160.0	£6.7	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£9.3
Additional Savings		£13.2	-	-	£0.3	£0.6	£0.9	£1.2	£1.5	£1.9	£2.3	£2.7	£1.8
General Revenue Savings - Annual		£19.1	(£1.4)	(£2.0)	(£0.6)	£0.8	£1.7	£2.3	£2.8	£3.6	£4.2	£4.7	£3.0
General Revenue Savings - Cumulative		£19.1	(£1.4)	(£3.4)	(£4.0)	(£3.2)	(£1.5)	£0.8	£3.6	£7.2	£11.4	£16.1	£19.1

Figure 11.3: Comparison of the projected baseline to Agilisys' Business As Usual (BAU) IT costs (£m)

11.6. Transition Costs

In order to ensure the transfer of services to Agilisys is efficient and safe, a number of one-off transition costs will be incurred. The transition period is focused on Agilisys taking on the States' services 'as is' (including the on-boarding of staff), applying corrective fixes as necessary, and baselining the performance levels. An estimated £3.1m will be required across 2019 and 2020 to support the rapid transition phase, including a contingency to support any costs not identified in the procurement exercise.

11.7. Transformation Costs

In the first three years of the contract, Agilisys will carry out activities aimed at transforming IT service at an expected cost of £13.7m. These activities will focus on delivering improved user experience in terms of service performance, reliability and responsiveness, enhanced network connectivity, improvements to security management and improvements to end-user tools and equipment.

CASHFLOW WITHIN THE CURRENT CAPITAL PORTFOLIO					
Contract Year		Total £m	0	1	2
Actual Year			2019 5 mnths	2020	2021
Agilisys Offer - Transformation Costs		£10.2	£1.7	£6.3	£2.2
Add: Internal Resource Costs		£0.0			
Add: Travel, Accommodation & Subsistence		£2.6	£0.4	£1.6	£0.6
Contingency: 7% uplift		£0.9	£0.1	£0.6	£0.2
Transformation costs		£13.7	£2.2	£8.5	£3.0

Figure 11.4: Estimated Transformation Costs (£m), including contingency.

It is of significant benefit to the States that the transformation of services is delivered within a short timeframe of two years. A 7% contingency has been included to meet any further unanticipated resource requirements which might be needed to achieve this timeline.

11.8. Asset Investment and Infrastructure Refresh

In order to achieve the desired benefits from the Strategic Partnership, changes will need to be made to the States' IT infrastructure. These changes consist of immediate work, including remedial investment and the development of an IT foundation for future transformation and improvement, and the continuous upgrading or replacement of States' infrastructure over the course of the contract. This investment will help to avoid the cycles of significant spend and decline to which the States is currently vulnerable.

The total cost for asset investment and infrastructure refresh is anticipated to be £29.1m as set out in figure 11.5. This figure includes spend proposed from major capital (£18m - £8.9m in this portfolio period and £9.1m thereafter) and minor capital (£11.1m) across the contract term. Further detail on capital funding is available in section 12.12. The major capital costs associated with the next term of the capital portfolio are approximately £9.1m, further requests will be submitted for the funding required in the next capital portfolio periods.

CASHFLOW WITHIN THE CURRENT CAPITAL PORTFOLIO					FOR FUTURE CAPITAL PRORITISATION ROUNDS								
Contract Year	Total £m	0	1	2	Total £m	3	4	5	6	7	8	9	10
Actual Year		2019 5 mnths	2020	2021		2022	2023	2024	2025	2026	2027	2028	2029 7 mnths
Strategic Partner Offer													
End User Devices, Peripherals	£3.3	-	£1.1	£2.2	£4.1	£0.4	-	-	£1.1	£2.2	£0.4	-	-
Datacentres	£4.3	-	£4.3	-	£3.0	-	-	-	£3.0	-	-	-	-
Networks	£3.1	-	£2.8	£0.3	£3.7	£0.1	£0.2	£0.4	£1.0	£0.1	£1.2	£0.6	£0.1
Integrated Learning Environment Equipment	-	-	-	-	£6.1	-	-	£2.5	£3.0	£0.2	£0.4	-	-
Sub-Total - Strategic Partner Offer	£10.7	-	£8.2	£2.5	£16.9	£0.5	£0.2	£2.9	£8.1	£2.5	£2.0	£0.6	£0.1
Add: Contingency - applications migration	£0.5	-	£0.5	-	-	-	-	-	-	-	-	-	-
Add: Contingency - cabling	£1.0	-	£0.7	£0.3	-	-	-	-	-	-	-	-	-
TOTAL ASSET INVESTMENTS:	£12.2	-	£9.4	£2.8	£16.9	£0.5	£0.2	£2.9	£8.1	£2.5	£2.0	£0.6	£0.1

Figure 11.5: Estimated infrastructure investment costs (£m), including contingency.

11.9. Pillar 2 – what funding is required under the Partnership for organisational change initiatives?

11.10. As outlined earlier in this Policy Letter, Agilisys will be treated as the preferred supplier for the majority of future IT/digital enablement work required by organisational change initiatives. This arrangement will provide continuity to the States and will generate benefits through the supplier's awareness of States practices and the ongoing incentive to maintain a positive reputation in the organisation. Where Agilisys does not provide value for money, or does not have access to the appropriate expertise or technology to deliver a service, the States retains the right to appoint an alternative supplier.

11.11. As part of the Partnership, Agilisys has submitted a rate card for daily rates across a range of different roles which may be required in the support of change and transformation initiatives. These rates have been benchmarked against rates currently being offered by States IT contractors and represent a competitive option in all areas. Over the course of the contact, the Retained IT Function will seek regular quotes from the market place to ensure that daily rates and project pricing continue to offer value for money.

11.12. As noted in section 8, an allocation of funding of £16.7m is required to support prioritised digital transformation projects which will enable the outcomes of the framework for Public Service Reform. This funding will be drawn down by project and will subject to the presentation and approval of appropriate business cases and scrutiny processes. All business cases will need to include an appropriate payback period and contribute to the States' savings targets. Further data collection and research needs to be completed to identify the funding required

for individual initiatives. This work will be carried out in the initial stages of the contract and will require support from Agilisys.

11.13. Funding for the Partner's support of other organisational change projects will be requested through the funding source and approval pathway relevant to that initiative. For example, if support from Agilisys was required by another project in the capital portfolio, the project would need to include the costs of Agilisys' support in its funding request to the States. This will ensure that large-scale projects continue to be adequately scoped, planned and priced and that existing approval processes and Committee controls are preserved.

11.14. Pillar 3 – what funding is required for economic development initiatives?

11.15. Agilisys has committed to investing 2% of revenue earned from the FDS contract into Economic Development initiatives. This will total approximately £3.7m. Further detail on the agreed Economic Development initiatives is provided in section 8 (8.21-8.29).

11.16. Where any future initiatives require funding beyond that set aside by Agilisys, or where initiatives are being co-developed, some investment may be required from the States. Any investment of this type would be requested via the States' approval pathways, including the provision of fully developed business cases to ensure that the proposed initiatives met States' strategic objectives, provided value for money and had been planned and scoped effectively.

12. Funding Implications – how will the funding requirements be met and what impact will this have on the States' financial position?

12.1. Revenue – what impact will funding the FDS Partnership have on States' revenue?

12.2. Over the ten year life of the Partnership, the contractual revenue cost is £1.2m less than the cost of the current baseline over the same period before the application of power savings which are estimated to be £4.7m. However, as set out in section 11.5, there is a requirement for additional funding for the first three years of £1.4m in 2019, £2.0m in 2020 and £0.9m in 2021. These amounts

cannot be accommodated within the Corporate Services⁸ budget which is overseen by the Policy & Resources Committee.

- 12.3. In respect of 2019, the Committee intends to use its existing delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership. This will mean that the 2019 Budget Reserve is substantially exhausted and any further unbudgeted expenditure pressures could result in total expenditure exceeding the amount budgeted, with a consequential adverse deterioration in the overall financial position which was budgeted to be a net surplus of £1m. A full update will be included in the 2020 Budget Report.
- 12.4. Thereafter, it is recommended that appropriate allowance is made within future Cash Limits. No allowance for the additional short-term costs of this contract was included within the financial projections for expenditure in the MTFP. Therefore, so as not to temporarily adversely affect the amounts available for funding Committee requirements including in respect of service developments and other cost pressures, this additional allowance will temporarily increase the total Cash Limits allocated.
- 12.5. Risk Funding – what risk funding is available?
- 12.6. There are a number of financial risks for which provision has not been made within the contracted price. The total maximum value of these risks is estimated to be £2-3m across the ten year contract period. If any of these risks materialise and additional funding is required to address them, the Policy & Resources Committee would consider a request to use its existing delegated authority to make funding available from the Budget Reserve.
- 12.7. Expenditure Savings – how does the Strategic Partnership contribute to the States' planned revenue savings?
- 12.8. The 2019 Budget Report included, for planning purposes, an updated estimate of the ongoing contribution a number of initiatives would make towards the delivery of the £26m annual expenditure savings target included within the MTFP. These savings need to be realised in order to return to a balanced budget and make funds available for redistribution to areas of cost pressure or for investing in service development.

⁸ Corporate Services are those provided to and on behalf of the entire organisation and comprise Assurance and Risk; Communications; Finance; Human Resources; Information Systems & Services; Insurance; Procurement; Shared Services Centre; and Tribunals.

- 12.9. The £26m target included £3.6m of ongoing savings in respect of the Future Digital Services project (comprising £0.9m in 2019, a further £1.8m in 2020, and a further £0.9m in 2021). However, the profile of the revenue contract (figure 11.2) formed following the robust and thorough procurement exercise, during which Agilisys' pricing proved to be the best value as well as the lowest cost, demonstrates that savings will not start to be realised until 2022 (£0.2m). These annual savings will increase to £2m per annum in the final years of the contract.
- 12.10. Whilst this is a shortfall on the amount originally estimated, digital transformation is a key driver for the delivery of the change and transformation projects which will substantially contribute towards the realisation of the expenditure savings target. This digital transformation will be supported and accelerated by Agilisys. In addition, it is highly likely that, should IT services continue to be delivered in-house, additional cost pressures and the need to invest in service development would have increased the baseline cost as illustrated in section 11.5. This increase would be contrary to the States saving requirements.
- 12.11. Furthermore, Agilisys is committing to investing 2% of revenue earned under the contract (approximately £3.7m over the ten year contract term) in the joint delivery of economic development initiatives aligned to the Economic Development Strategy, as discussed in section 8 (8.21-8.29).
- 12.12. Capital – how will the capital funding requirements be met?
- 12.13. The current States-approved capital portfolio for 2017-2020 includes provision of approximately £24.7m for IT related projects (IT infrastructure refresh, digital channel shift, and SAP roadmap). The anticipated cost of capital projects associated with the FDS in this term is £43.6m, comprising £26.9m for Pillar 1 to support the transition and transformation of IT services and invest in the States core assets, and £16.7m for Pillar 2 where a programme of digital transformation within the Public Service Reform framework will support organisational change initiatives.
- 12.14. This additional funding requirement of £18.9m will directly reduce the estimated balance in the Capital Reserve that is available to support the future portfolio (2021 onwards) which, after taking into account other approved changes, would now be in the region of £30-35m. It is anticipated that the next round of capital prioritisation will include funding requests for the pipeline programmes and projects approved in the Medium Term Financial Plan including Hydrocarbons, Inert Waste, Coastal Flood Defences, Strategic Air and Sea Links Infrastructure, and Seafront Enhancement which are currently being investigated and developed, supported by seed funding.

- 12.15. In respect of minor capital, continuation of the existing allocation of an average of £2m per annum for IT-related projects is projected to be sufficient to cover the requirements of the FDS contract (replacement of minor assets, such as end-use devices and peripherals; and ongoing upgrades/improvements to States-wide networks) and for any retained services.
- 12.16. Governance – how will the Committee use its delegated authority?
- 12.17. The propositions include giving the Policy & Resources Committee delegated authority for opening capital votes.
- 12.18. Any requests for funding for projects which are part of the mandated responsibility of the Policy & Resources Committee follow the same processes and procedures, and are subject to at least the same level of officer and political review and challenge, as those requests submitted by other States Committees. In addition, these projects will benefit from independent challenge and scrutiny in the same way as those led by other Committees and States' bodies, as is the role of the Scrutiny Management Committee under the system of Government adopted in 2016 following approval of the States Review Committee's recommendations.

13. Political Engagement

- 13.1. Whilst the changes generated by the future IT delivery model will be operational, they will have an impact on work carried out under the mandate of each and every Committee. Updates on the progress of the project have been provided through the Chief Executive's annual report appended to the updates on the Policy & Resource Plan and through Statements made by the President of the Committee.
- 13.2. A meeting with the Committee Presidents was held ahead of negotiations with the selected bidder to provide an opportunity for early questions and feedback. Briefings and presentations have also been given to each of the Principal Committees to discuss particular queries or areas of interest related to their mandates. The Committee is grateful for the input and feedback provided by States Members and other stakeholders over the course of the project. Further engagement will continue following the publication of the Policy Letter to ensure States Members have all of the information they need.

14. Compliance with Rule 4

- 14.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 14.2. In accordance with Rule 4(1), the Propositions in this Policy Letter have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.
- 14.3. In accordance with Rule 4(3), the Committee has included Propositions which request the States to approve major capital funding of up to £43.6m and to direct the Committee to include specific additional funding of £2.0m for the Strategic Partnership in the 2020 recommended Cash Limits and to take account of the ongoing costs when recommending Cash Limits for 2021 and subsequent years. The Committee also asks the States to note that it intends to use its delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership. Further detail on the financial implications of the Propositions is provided in section 11 and 12.
- 14.4. To comply with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions attached to this Policy Letter have the unanimous support of the Policy & Resources Committee.
- 14.5. In accordance with Rule 4(5), the Propositions relate to the duties of the Policy & Resources Committee in respect of "*policies on financial management, assets and corporate services, including information and communication technology*".

Yours faithfully

Policy & Resources Committee

G A St Pier
President

L S Trott
Vice-President

A H Brouard
J P Le Tocq
T J Stephens

APPENDIX 1

QUESTIONS AND ANSWERS

Some of the questions associated with the FDS project are answered below.

	Question	Answer	Further Information
01	Why is this good for Guernsey?	<p>The Strategic Partnership will ensure the States has IT services capable of supporting and enabling its strategic goals. Through the provision of more stable and flexible systems, the service provided to customers will improve and the objectives of the framework for Public Service Reform will be accelerated.</p> <p>The Partnership will also include a direct investment into the local digital sector, including initiatives focused on skills development and the support and development of local technology enterprises.</p>	<p>Policy Letter: Section 8 – the Future Delivery Model</p> <p>Business Case: The Strategic Case - Benefits</p>
02	Why is this good for users of States IT services?	<p>Future IT services are intended to 'just work'. By expanding the service support available, upgrading technology and proactively addressing problem areas, they will minimise the inefficiencies and frustrations generated by IT errors or inconsistent service provision.</p>	<p>Policy Letter: Section 8 – the Future Delivery Model</p> <p>Business Case: The Strategic Case - Benefits</p>
03	Is this good for current States IT personnel?	<p>Existing States IT staff will be transferred to a new corporate entity where they will be employed by the Strategic Partner. Within the entity, they will have access to their current employment terms and conditions.</p> <p>The new arrangements will assist staff to apply their existing skills more widely and develop further skills to support emerging technology, including the use of efficient 'cloud-based' approaches instead of isolated departmental machines. It will also provide staff with added career development opportunities.</p>	<p>Policy Letter: Section 10.14-10.22 – Employee Transfer</p> <p>Business Case: The Commercial Case – Staff Implications</p>

	Question	Answer	Further Information
04	What is the range of systems and resources included within the scope of the proposed arrangement?	<p>All States IT systems are in the scope of the Strategic Partnership, with the exception of those used solely by incorporated Trading Assets and the high-security systems used by Home Affairs which are directly connected to UK Government systems.</p> <p>All existing ISS staff are in scope, except for a small number of personnel who will be maintained to form a Retained IT Function.</p>	<p><i>Scope</i> Policy Letter: Section 3 Business Case: Strategic Case – Scope</p> <p><i>Retained IT Function</i> Policy Letter: section 10.8 Business Case: Management Case – Ten-year Partnership Governance</p>
05	Why change the approach to providing IT services and support so radically?	The IT world has been changing radically. The States needs to embrace the opportunities generated by modern technology, including migrating to cloud based systems and flexible and mobile working, if it is to meet the expectations of its customers and the international community. In order to achieve this, the States IT delivery model needs to provide much greater access to expertise and resource.	<p>Policy Letter: section 2.10-2.16 – the Current Model</p> <p>Business Case: Strategic Case – The Case for Change</p>
06	Why change now, instead of evolving gradually?	There are a number of substantial systems requiring upgrade or redevelopment (for example, critical systems in Health, Education, Home, and the Revenue Service need upgrading or replacing). It is more sensible to develop all future systems under the new IT infrastructure, ensuring they can be integrated and do not duplicate functionality, instead of prolonging the old.	<p>Policy Letter: section 2.10-2.16 – the Current Model</p> <p>Business Case: Strategic Case – The Case for Change</p>

	Question	Answer	Further Information
07	Why not use the internal IT team to improve systems and support as much as possible first, and then outsource to others from that improved base?	<p>The 'Internal Improvement Model' team concluded that they would need substantial external support and a long timescale to significantly improve States' IT provision. The Committee chose to suspend the development of an Internal Improvement Model in favour of a Strategic Partnership which would allow services to be reformed more quickly.</p> <p>Technology, which underpins the provision of IT services, continues to develop rapidly and it is very difficult for the States alone to keep pace with this change. It is also increasingly to recruit, retain and develop IT talent. As a public sector organisation, the States may be less likely to attract top IT talent compared to specialists, whether they be in Guernsey or outside of the island.</p>	<p>Policy Letter: Section 6 – Sourcing Arrangements</p> <p>Business Case: Economic Case – Comparative Analysis of Shortlisted Options</p>
08	Will individual Deputies gain or lose any IT systems support from this?	Deputies will experience the same improvements in IT services as other States users, including improved service support, high-speed network connections and greater support for mobile working.	<p>Policy Letter: Section 8 – The Solution</p> <p>Business Case: The Strategic Case - Benefits</p>
09	Will Deputies be able to get help with IT outside office hours and over a weekend?	Deputies will receive enhanced support through a 'VIP' service out of hours. The precise levels of support that will be available are still being finalised.	Policy Letter: Section 8 – The Solution
10	Does this further centralise control over projects away from political committees?	No. Political Committees will retain control over transformation or other project initiatives within their mandate. The FDS partner will increase the Committees' ready access to resources and help to establish a cost-effective and flexible IT platform on which Committees can build new systems or to which old systems can be transferred.	<p>Policy Letter: Section 5 – the Future Delivery Model</p> <p>Business Case: The Management Case – Ten-year Partnership Governance</p>

	Question	Answer	Further Information
11	Does the proposed arrangement prevent political committees from using specialist project consultants (e.g. in healthcare, education or law enforcement systems)?	No. The contract appoints the selected partner as a 'preferred supplier' and retains the flexibility to use other specialist consultants where appropriate and desirable.	Policy Letter: Section 10 Business Case: Commercial Case – Contractual Arrangements
12	Is this a typical IT outsourcing deal?	The Strategic Partnership is not a simple cost-cutting outsourcing deal devoid of development objectives. The Partnership and its goals have been tailored to the objectives and needs of the States of Guernsey.	Policy Letter: Section 6 – Sourcing Arrangements
13	Will all Guernsey's key data and systems be located off island, and thus away from local control?	All key data and systems will be kept on-island, including two on-island data centres.	Policy Letter: Section 8.9
14	What might be the wider economic development benefits for Guernsey?	The strategic partner will be responsible for an ongoing programme of economic development initiatives aimed at improving local digital skills and business opportunities. These initiatives will be aligned to the Digital Sector Framework.	Policy Letter: Section 8.21-8.29 – Economic Development Business Case: Economic Case – Comparative Analysis of Shortlisted Options
15	Why such a long 10 year commitment? How does this relate to IT equipment with shorter or longer lives?	A contract of this duration will ensure that there is time for new services to transition and embed, and for the States to benefit from the Partner's economies of scale and from the knowledge gained by the Partner. The length of the contract also provides for infrastructure refresh, which will prevent the States from re-entering a cycle of significant investment and transformation.	Policy Letter: Section 10 – The Relationship Business Case: Commercial Case – Contractual Arrangements

	Question	Answer	Further Information
16	Why use a new corporate entity for staffing?	<p>The new corporate entity is a device to easily transfer staff to the States or a replacement supplier upon expiry of the contract or in the unlikely event of earlier termination. The 'golden share' will be a tiny minority shareholding in the entity in the name of the States. This shareholding will only be used to force a share transfer when the contract ends, thereby securing the staff that work 50% or more of their time upon States' matters. This will be backed through a separate contractual agreement called a Shareholders' Agreement.</p> <p>The corporate entity will ensure the States has control over essential staff skills at the end of the contract and will allow staff to be given assurances in regard to their continued employment and public sector pension protection.</p>	<p>Policy Letter: Section 10.14-10.22</p> <p>Business Case: Commercial Case – Staff Implications</p>
17	Will staff who transfer to the new entity be accountable to the States?	Staff will be directly accountable to their line management. Agilisys will manage staff working on States operations and projects and will be accountable to the States for their performance.	<p>Policy Letter: Section 10.14-10.22</p> <p>Business Case: Commercial Case – Staff Implications</p>
18	Why not use a Guernsey company or consortium as the supplier/partner?	Guernsey companies participated in the procurement exercise however no Guernsey company alone proved capable of providing all the services required by the States. The Strategic Partner will maintain a Guernsey presence and Guernsey companies will provide services to the States under the management of the Partner.	<p>Policy Letter: Section 4 – The Development Phase</p> <p>Business Case: Appendix A – Review of the Options Development Phase</p>
19	How has this been negotiated?	The definition of our requirements developed over a period of 18 months, with support from external advisors and further independent quality assurers. The shortlisted bidders were then involved in a tendering process to secure the best possible deal for the States.	<p>Policy Letter: Section 4 – The Development Phase</p> <p>Business Case: Appendix A – Review of the Options Development Phase</p>

	Question	Answer	Further Information
20	Has the negotiation and proposal been operationally, technically, professionally and politically validated?	The proposal and negotiation have been validated through the scored evaluations by internal staff, structured workshops with service experts, and independent external assurance.	Policy Letter: Section 4 – The Development Phase Business Case: Appendix A – Review of the Options Development Phase
21	Does the proposed supplier/partner understand our current systems enough to support us reliably?	The Partner has been involved in the full 18 month development process for the proposal and has gained a strong understanding of our current systems. This understanding has been explored and tested by internal staff.	Policy Letter: Section 4 – The Development Phase Business Case: Appendix A – Review of the Options Development Phase
22	Does the proposed supplier/partner understand the future systems we envisage?	The Partner understands future systems as far as they have been defined. The Partner has been provided with full briefings on States strategy and ambitions and had the opportunity for extensive discussion with staff working on change and transformation initiatives.	Policy Letter: Section 4 – The Development Phase Business Case: Appendix A – Review of the Options Development Phase

	Question	Answer	Further Information
23	Is the proposed supplier/partner operationally and financially resilient enough to deliver what we need over 10 years?	<p>Due diligence has confirmed that the Partner is operationally and financially resilient. The financial due diligence carried out has included analysis of Agilisys' audited accounts and assessment of both its current financial performance and the security held against its assets. This provided confirmation of a positive trading record and the reassurance required on the financial health of the company. As well as a track record of regularly generating profits, net positive cashflows are clearly evident. A key area for reassurance is the terms of the Auditors' report which is confirmed as 'clean'. Another aspect reviewed was the strength of the business to take on the FDS contract. Based on the core element of the contract requirements, it would add in the region of 10% to turnover which does not raise concerns and confirms the company's ability to take on further project related work. Parallel to this, there was an assessment of the credit reports on the bidder's group companies which raised no concerns.</p> <p>As part of the contract negotiation phase of the Project, a final iteration of due diligence will take place which will consider complementary issues such as any aged or bad debt held on Agilisys' accounts and confirmation of the terms on which they will pay their supply chain.</p> <p>The contract contains measures which require notification to be provided where the financial standing of key parties alters and includes termination options where financial requirements and notification are not met.</p>	<p>Policy Letter: Section 7 – The Partner</p> <p>Business Case: Commercial Case – Risk Apportionment</p>

	Question	Answer	Further Information
24	Does this arrangement mean that the States loses control over its IT assets and resources?	<p>No. The States will supplement its resources with the skills and practices available from the Strategic Partner and the new employing entity can be brought back in house if required.</p> <p>The Partner will have the right to use IT assets, the ownership of assets will remain with the States.</p> <p>The States will continue to determine project requirements in line with its own political investment objectives and priorities.</p>	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Commercial Case – Contractual Arrangements</p>
25	If we transfer away all our IT skills, how do we control a supplier/partner by being ‘an intelligent client’ for key decisions?	In addition to the arrangements for the new corporate entity, the States will keep a small number of very senior IT professionals for strategic planning/control within a Retained IT team. The States will also have access to independent experts if required.	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Management Case – Ten-year Partnership Governance</p>
26	What are the main risks of doing this and how will they be managed?	The two main risks are choosing the wrong strategic partner at the outset or a subsequent failure to manage arrangements collaboratively and constructively in future years. An extensive procurement exercise has been carried out to identify the best supplier to the States and formal governance and contractual arrangements have been put in place to mitigate the risk associated with the relationship.	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Economic Case – Risk Analysis Management Case – Ten-year Partnership Governance</p>
27	Who will ultimately take responsibility when something goes wrong with the online payments system?	Should the issue be within the control of the Partner, responsibility would initially lie with the first line of contracted systems support, then with the line management within the Service Team, then with the Partner’s Client Service Director and the Relationship Director accountable to the States of Guernsey.	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Management Case – Ten-year Partnership Governance</p>
28	When would this arrangement start to happen?	The relationship will commence later in 2019, if approved by the States of Guernsey.	<p>Policy Letter: Section 9 – Next Steps</p> <p>Business Case: Management Case – Transition and Transformation</p>

	Question	Answer	Further Information
29	Would things change overnight, all at once?	Changes will be phased, including a transition period in which the Partner will take control of day-to-day services.	Policy Letter: Section 9 – Next Steps Business Case: Management Case – Transition and Transformation
30	Any major change usually has ‘winners’ and ‘losers.’ Who would be the losers from this arrangement?	Whilst the needs of the States has been prioritised, the FDS Project has carefully considered the interests of multiple parties across the Project’s scope. Whilst many stakeholders will experience change, for the vast majority of interested groups the contract will provide new benefits and opportunities. The project will continue to monitor and manage any risks to the success of the Partnership.	Business Case: Management Case – Comparative Analysis of Shortlisted Options
31	What happens at the end of 10 years?	There are multiple options at the end of the Partnership term; extend the arrangements, revise the arrangements, switch to a different strategic partner or transfer staff and assets back into direct ownership of the States. These options will be reviewed fully before the end of the contract period.	Policy Letter: Section 10 – The Relationship Business Case: Commercial Case – Contractual Arrangements
32	Does this arrangement make States data any less secure?	Data security will remain a critical aspect of systems design. The Partnership will establish relationships between the States and leading cyber security organisations.	Policy Letter: Section 8.8.
33	How does this relate to a change in public telecoms networks from 4G to 5G technologies?	Considerations around any movement to 5G are separate from the FDS project.	

	Question	Answer	Further Information
34	Why bother doing this? Can't we just carry on as we are now?	<p>The status quo is not a realistic option. The States current IT services, including the existing infrastructure and support systems, impose a number of constraints on the organisation which limit the role technology can play in delivering the States goals. Without change to our delivery model, IT services will become an increasing source dissatisfaction for users and customers.</p> <p>Numerous States IT systems are ageing and inflexible and have very limited integration with other systems. Replacement systems need to be developed using efficient new technologies if they are to be cost effective and not slow the achievement of Public Service Reform and policy change.</p>	<p>Policy Letter: section 2.10-2.16 – the Current Model</p> <p>Business Case: Strategic Case – The Case for Change</p>
35	Who owns Agilisys?	Agilisys Limited is a majority employee owned organisation. It forms part of the Blenheim Chalcot group of companies which is headquartered in the UK.	Policy Letter: Section 7 – The Partner
36	What due diligence has been conducted on Agilisys?	An ongoing process of due diligence has been carried out on the bidders for the Future Digital Services contract. This commenced with a series of checks during the Pre-Qualification stage of the procurement process in late 2017. More recently, it included a robust set of reference site visits, which assessed all key aspects of the suppliers' ability to deliver the contract services, and formed part of the evaluation methodology. This due diligence has considered legal and contractual (historic and current legal cases involving Agilisys), financial, technical and governance matters. Further due diligence is planned ahead of the contract finalisation.	Policy Letter: Section 7 – The Partner
37	What would happen if Agilisys were to leave early?	If Agilisys were to need to end the Partnership early, the exit provisions within the contract would be initiated and the agreed Exit Plan would be carried out. At this stage, the States would need to consider whether to switch to a different strategic partner, or transfer staff and assets back into direct ownership of the States.	Policy Letter: Section 7 – The Partner

	Question	Answer	Further Information
38	What happens if Agilisys withdraw from the process at the last minute?	The other strong performing bidder in the procurement process, Fujitsu Services Limited, has been selected as a Reserve Bidder. In the event that the contract with Agilisys is not finalised, a relationship with the Reserve Bidder will be explored further.	Policy Letter: Section 5.2
39	How are local businesses involved in the Partnership?	A number of the key sub-contractors for Agilisys are established local companies. It is essential that the supply chain developed by Agilisys balances savings with the need to protect and invest in local businesses, this need was included within the scoring process and will be monitored throughout the relationship. The offer from Fujitsu Services Limited also included local businesses.	Policy Letter: Section 7 – The Partner Business Case: Appendix D – the Bidders

GLOSSARY

Artificial Intelligence	Artificial intelligence refers to the ability of a computer to perform tasks which would commonly require human intelligence to achieve. These might include visual perception, speech recognition and decision-making.
Automation	Automation is the use of electronics and computer-controlled devices to carry out a process or procedure with minimal human assistance.
Business as usual (BAU)	Business as usual refers to the normal business structures, processes and systems used by an organisation to deliver its standard services.
Cloud-Based Computing	Cloud-based computing is a method for delivering IT services where resources are retrieved from the internet using web-based tools and applications, as opposed to directly connecting to a server.
Corporate Entity	A corporate entity is a distinct legal entity formed to carry out a specific task. In the FDS project, it is proposed to form a new corporate entity to employ staff working on States IT services. Both organisations will own shares in the entity (the States having a small minority holding) which will be separate and distinct from both Agilisys and the States. Staff in the entity will be managed by Agilisys, though they will retain their current terms and conditions and can be transferred back to the States using the States' 'golden share' if it is in the interest of the States to do so.
Cyber Security	Cyber security refers to the technology, processes and practices designed to protect IT services and data from attack, damage, or unauthorised access.
Data Centre	A data centre is a secure facility that houses critical IT infrastructure, such as networked computers and data storage. Within a data centre, an organisation's data is stored, managed and disseminated. In order for it to remain operational, a data centre has strict requirements for electricity supply, temperature and humidity.
Database	A database is an organised collection of data stored and accessed electronically.
Digital Channel Shift	Digital channel shift refers to the movement of customer communication (both inward and outward) from more traditional methods (for example filling in forms or meeting face-to-face) to digital methods.
Digital Transformation	Digital transformation refers to large-scale changes in organisational processes and practices which have been enabled by technological opportunities.

Education Digital Road Map	Education Services is developing a Digital Roadmap to guide the future use of digital technology in schools to support pupils' learning.
FinTech	FinTech is a shortened form of financial technology. It includes any technology used to support or enable banking and financial services.
Golden Share	The golden share refers to a small minority shareholding and a separate legal agreement, called a shareholders agreement, between Agilisys and the States. This agreement entitles the States to effect a share transfer of the new corporate entity to the States, or to a replacement supplier, for nominal consideration upon termination of the services contract.
Hardware	Hardware refers to the physical parts of a computer system. This includes equipment such as the monitor, keyboard, and mouse. It also includes all the parts inside a computer case, such as the hard disk drive, motherboard and video card, etc.
ISS	ISS stands for Information Systems and Services. It refers to the internal IT team established in 2017 when the independent Committee IT departments were consolidated.
IT	IT stands for Information Technology. It refers to anything related to computing, such as hardware, software or the Internet.
IT Infrastructure	In an IT context, infrastructure refers to an organisation's entire collection of hardware, software, networks, data centres, facilities etc. used to develop, test, operate, monitor, manage and support IT services.
MedTech	MedTech is a shortened version of medical technology. It includes any technology used to support or enable clinical and medical services.
Organisational Redesign	Organisational Redesign refers to a programme for the major redesign of the organisational structure of the public service, including the release of existing posts. The programme will require digital transformation in order to be achieved.
Partnership of Purpose	The Partnership of Purpose is the programme of transformation intended to tackle the challenges within the Bailiwick's health and care system. The programme was approved by the States in December 2017.
Portfolio	Portfolio refers to a collection of projects and programmes managed together to achieve an organisation's strategic goals.
Retained IT Function	The Retained IT Function refers to the States' in-house capability to monitor, assure and manage the contract with the Strategic Partner.

Revenue Service Programme	The Revenue Service programme is the programme of transformation in the Revenue Service (the integrated service created from the Income Tax and Social Security Contributions service areas), as approved by the States in April 2018.
SAP	SAP is the name of the core business administration system used by the States.
Software	Software is a set of instructions that tells a computer what to do or how to perform a task. Software includes all the different programmes on a computer, including applications and the operating system.
Scale-Up	Scale-up describes the process in the business cycle where an existing business is seeking to expand, achieve new investments, and seek new market opportunities.
Start-Up	Start-up describes the point in the business cycle where a new business is beginning to develop and is seeking to establish a presence in the market.
Sub-contractor	Any sub-contractor which, in the opinion of the States, performs (or would perform if appointed) a critical role in the provision of all or any part of the States' services or a sub-contractor with a contract value which exceeds 10% of the collective charges payable under the Strategic Partnership contract.
TUPE Legislation	TUPE legislation is legislation to protect employees if the business they work for changes hands. TUPE is an acronym for Transfer of Undertakings (Protection of Employment) Regulations, the UK's TUPE legislation.