Executive

Review of the ICT Service

6 September 2010

Report of Strategic Director Environment and Community and Head of Customer Service and Information Systems

PURPOSE OF REPORT

This report seeks Executive consideration of the outcomes of the Member and Officer IT Review Group and approval for the way forward.

This report is Public

Recommendations

The Executive is recommended to agree:

(1)   Measures to reduce the cost of the Council's ICT Service through the implementation of an integrated, scalable and flexible staffing structure, selective external hosting of systems and improved procurement;

(2)   By the end of 2012/13, to make savings of a minimum of £300,000 resulting in a minimum 15% reduction to the base budget and which brings the costs of the function to 2.3% total Council spend (based on 2010/11 estimated total spend);

(3)   To continue to explore further cost reductions through shared service and joint opportunities with other Councils;

(4)   The proposed change to the ICT service desk availability from 8am – 6pm, to 7am – 5.15pm Monday to Friday;

(5)   Not to implement an additional Out Of Hours support service based on an assessed low risk of failure and impact plus additional cost;

(6)   The setting up of an Information Systems Corporate Governance group with a remit to provide a corporate overview to the use of ICT resources, approve projects for delivery and realise targeted savings identified in the project business cases.

Executive Summary

1.   **Introduction**

1.1   A Member and Officer ICT Review Group has met four times and completed
        its work earlier this year as required by the Executive. It prime objectives
        were to assess the fit for purpose and value for money status of the current
        service and from this, to establish a vision and set out a direction for the
        service.

2.   **VFM Findings**

2.1   The review group used CIPFA 2008/09 benchmarking data based on gross
        Council expenditure and extrapolated this into 2009/10 in recognition of the
        changes made within the service over the last two years. These changes
        represent past investment to secure future financial benefit as well as
        improved service resilience.

2.2   Overall, ICT costs increased by 6.2% between 2008/09 and 2009/10 while
        cost of overall Council gross expenditure decreased by 12.5% (£9.6m)
        leading to a 0.5% rise (to 3.0%) in the ratio of ICT costs to gross council
        expenditure (see table below). Although this compares favourably with the
        District Council average of 4.7% it is higher than the all council average of
        2.9% for 2008/09. The proposed spend in 2010/11 which includes a cost
        reduction of £100,000 will bring the ratio back under the average at 2.6%

Year	Council gross expenditure	ICT spend	ICT spend as a %
2008/09	£76,751,128	£1,912,620	2.5%
2009/10	£67,134,116	£2,031,939	3.0%
2010/11	£74,941,859	£1,931,939	2.6%

2.3   A better analysis is possible using ICT spend in relation to net council
        expenditure, although this cannot be benchmarked in the same way. The
        table below shows that despite the proposed reduction of £100,000 the ratio
        actually increases due to the faster shrinking net spend of the council. This
        illustrates the need for additional savings to be identified within the service

Year	Council net expenditure	ICT Spend	ICT spend as a %
2008/09	£21,321,023	£1,912,620	9.0%
2009/10	£19,957,037	£2,031,939	10.2%
2010/11	£18,527,526	£1,931,939	10.4%

2.4   Recent and ongoing changes to how the Council delivers its ICT services
        are already delivering savings (50% drop in power consumption in the main
        server room estimated to be about £20,000pa from 2011/12, £10,000 per
        year reduction in the cost to provide our inter-office communications, £8,000
        per year reduction on mobile phones, 10% reduction in support costs
        compared with 2008/09). These are contributing to the £100,000 ICT cost
        reduction target in the approved 2010/11 budget which forms part of the
        overall MTFS target of £300,000 reduction.

2.5   By targeting savings of in excess of £300,000 overall, the Council will

achieve ratios of 2.3% (against gross council expenditure) and 9.3% (against net council expenditure.

3   **Proposals**

The Review Group assessed the market options in relation to future service provision and concluded that the most benefit was likely to accrue through taking a "selective outsource" approach, on a case by case basis as the opportunity arises rather than any whole scale outsourcing. This will mean looking for lower cost procurement opportunities, likely to include using managed services rather than hosting, supporting and maintaining ICT systems in house.

3.2   In arriving at this conclusion, the Review Group was mindful of further savings which could be realised through future shared service and joint working opportunities with other Councils and therefore needed a flexible solution to capture such opportunities.

3.3   The Review Group has agreed an ICT strategy of actively seeking managed service opportunities on a selective outsource basis as and when the opportunity arises through the need for a major upgrade, the end of a contract or other market opportunities. Managed services allow the transfer of risk out of the Council, and in relation to data security, the costly and stringent security requirements too, while retaining strategic direction and governance in house. An example of where this is already happening is in relation to payment card compliance, which relates to the Council's fitness in terms of process to take payments by debit and credit card. Rather than try to manage the risk and comply with stringent requirements internally, we are seeking an external, managed service for our payments, thereby transferring the risk and security requirements and ensuring continued compliance even if the standard should change.

3.4   This approach will reduce the cost base of Information Systems by some 15% (£300,000) over three years which is the MTFS savings target, while retaining its capability to transform and reduce the cost to deliver all other council services. It is not possible to detail at this stage which specific initiatives will deliver which particular savings, as new opportunities arise all the time, but an indicative breakdown is:

Staffing changes	£75,000
Telecomms and data communications	£80,000
Application support and maintenance	£40,000
Licensing	£30,000
Other savings	£50,500

3.5   Staff structure changes are under way to reduce the employee costs by 8.5% (£75,000) from September 2010, resulting in a scalable, flexible Information Systems (IS) team that can respond to a changing environment, new market opportunities and changing Council service delivery requirements.

3.6   There will be additional savings elsewhere in the Council through taking a stronger approach to corporate governance. It is proposed to introduce an

IS Corporate Governance group, which includes the ICT Portfolio Holder and an external technical expert, potentially procured through an organisation such as PWC. This will provide an outside perspective to proposals. The group would meet quarterly to provide strategic governance in respect of IS delivery and future development, and oversees procurement decisions leading to the achievement of IS-enabled savings across the Council in addition to the reduction in the IS base budget itself.

3.7   While there is some demand for system monitoring and support outside of the published service hours, the cost of that provision estimated to be a minimum of £36,000pa., is not deemed proportionate to the benefits. The proposal is to change the IS service desk available hours from 8am – 6pm, to 7am to 5.15 Monday to Friday from August 2010 in response to clear demand patterns. System monitoring and support will not be offered outside of those hours. In addition, the necessary planned systems maintenance will be carried out on a regular pattern on the first Saturday of every month.

4.   **Conclusions**

4.1   It is the view of the Member and Officer ICT Review Group that outsourcing the whole of ICT Service Delivery is not a realistic option; the possible benefits do not outweigh the costs, and the national picture, and our local strategy is such that within three years other procurement options for data storage and communications will become available.

4.2   Structural changes are needed to reduce the management overhead and recognise the shifting requirements of the ICT team that will both reduce costs and put in place an integrated and scalable Information Systems team.

4.3   Establishing an IS Corporate Governance group to oversee ICT decisions with strategic significance including how we procure applications and systems in the future will improve the service overall, tying it more closely to Council objectives and priorities.

4.4   The benefits of a comprehensive out of hours monitoring and support service do not yet outweigh the costs; the proposed IS Corporate Governance group will review this as more customer services are delivered through online channels.

5   **Background Information**

5.1 The Member and Officer ICT Review Group was set up with the following objectives

- To understand to what degree its current (and imminent) ICT service delivery is fit for purpose, and have a clear vision for how this provision will need to be different to meet council needs and the expectations of external bodies in the medium to long term;

- Understand the value for money of its current ICT service delivery, and be clear on its ambition for the future cost/benefit balance (more for less, more for the same, lots more for a little more etc) of the service related to this vision

- Have devised a means to achieving the vision for future provision of ICT service delivery and its required value for money

5.2 The Review Group considered a wealth of information gathered through:

- An external assessment model led by KPMG

- CIPFA VFM benchmarking – this was undertaken in lieu of the planned Value for Money review of the service

- A review of the Council's corporate objectives and how ICT supports their delivery

- A survey of Members and Officers into requirements for out of hours standby and callout, and preferred time to carry out planned updating and maintenance work

- The implications of the National ICT Strategy

- The findings of Internal Audit

- An overview of market options provided by KPMG

5.3 A KPMG maturity and capability model was used to assess the way ICT and IS are governed, managed and delivered as an integral part of the organisation. The model examined four aspects of ICT service delivery: alignment with the objectives of the Council (corporate governance); management of the function; development of the systems used; and delivery of the service. In each of these four areas, people completing the model reported a consistent gap between the level ICT and IS are perceived to be performing at now, and the level appropriate to the work of the Council. The question then becomes one of priorities. Putting in place initial improvements/actions in certain key areas – specifically the corporate governance area - can yield multiple improvements across the assessment without having to have dozens of discrete actions planned

6.   The ICT Service: Value for Money

A Value for Money Review of ICT had been planned as part of the 2009/10 VFM programme, and so was incorporated into this comprehensive review of the service. Benchmarking was undertaken using CIPFA VFM Indicators and data from 2008/09,

updated to included 2009/10 outturn data. Key findings from the work were;

- The overall cost of the service, as a proportion of total council spending, was higher than the average for other authorities. Support costs were also high; Despite a 10.1% reduction in 2009/10 these still ranked as expensive in comparison. In contrast, the cost of procuring new workstations was the cheapest in the country due to the move to thin client.

- The competency of non-ICT staff to undertake basic IT tasks was much lower than that of other authorities, but their satisfaction levels were above average. However, commissioners of ICT services (i.e. managers) had below average satisfaction. Above average levels of support requests were also identified

- Management practices and ICT governance were shown to be below that of other authorities, but were shown to have improved in 2009/10 due to changes introduced that year.

- Access to IT equipment and remote connectivity were shown to be above average.

6.2   The Review Group has requested that the competency of council staff and Members in undertaking basic ICT tasks be investigated further through linking with the Council's Training and Development team to more closely target training to user-need. In addition, as part of ongoing service improvement, reasons behind any dissatisfaction with delivery of projects is also to be investigated through individual interviews and the findings acted on.

7.   Out of Hours Needs

7.1   System availability against our published hours is currently 99.44% this year to date. Service delivery has been impacted very little through unscheduled outages.

7.2   The Council is subject to a number of mandatory upgrades, updates and security work to keep the business systems supportable and secure. Both officers and elected members, when asked when they would prefer to have planned ICT outages for known maintenance, said they wanted this to happen out of normal hours. The view of the Review Group is that this planned work should be done on a regular, planned schedule made known to all staff and members.

7.3   When considering system availability, again the Review Group felt that ideally, systems should be monitored at all times, and some minimum level of intervention taken to reduce the risk of system outage within published operating hours. Currently, systems are not monitored between 6pm and 8am Monday to Thursday, and between 6pm Friday to 8am Monday. The technology is available, but not the manpower, without compromising staff availability during normal operating hours.

7.4   The Review Group then looked at both staff and Member use of systems out of normal hours, and the public's use of online services within the same timeframe. There is very little use or demand from staff or Members for access to the Council's business systems such as UNIform or i-world out of normal hours. There is, however, some consistent demand for email and BlackBerry. Support of that system out of hours, in terms of monitoring and

taking remedial action would be desirable, with some monitoring of the other systems so that potential outages can be flagged to the in-house team ready for them to act when the arrive at 8am.

7.5   A notable exception is the relationship with Capita; they frequently need to access the service desk from 7am, in relation to i-world, iclipse and other business systems used by that service; the SLA is currently to deliver service from 8am. At the other end of the day, there is little demand for service desk from staff or Members after around 5pm.

7.6   In terms of public access to online systems, usage outside of monitored and supported hours is growing; these currently make up nearly 33% of our total website visits and 40% of our total online payments (amounting to £231,000).

7.7   The Council is keen to drive take up of the online and other self-service channels as they are the cheapest and their use frees customer service resource to focus on those customers with complex service needs and for whom the online channel is not an option. It is vital therefore that these services are reliable so that customers continue to trust and use them.

7.8   The risk of an un-monitored break in service or some security breach to public confidence in the online channel was considered seriously by the group and assessed as low. When it was subsequently weighed against the cost of seeking either more staff or an external provider (estimated to be £36,000pa), the cost was seen to outweigh the benefit especially given that the risk is assessed as low. Supporting this decision is the Council's strategy to transfer out key public facing services such as the payments service, so its online availability is then governed by an external contract. It is important however to keep this out of hours support requirement on the agenda for periodic review by the proposed IS Corporate Governance Group. .

8.   Delivering the Corporate Strategy Targets

8.1   The current Corporate Plan sets out corporate targets over five years; the plan has two more years to run. While the targets are disparate and far reaching, four key threads can be identified from this high level analysis:

- Online provision is key. Build up the website to make as many council services available as possible. Ensure the website is up to date, vital news, who to call, where to go etc

- Data sharing, making data available for self-service, exchanging data with partners, keeping it secure, compliance with "Government Connect" and other security protocols; these areas thread through much of what the council is seeking to achieve.

- A flexible structure and infrastructure resources able quickly to meet new requirements, and drive change that reduces front line service delivery costs.

- Able to demonstrate value for the investment, return and clear, quantifiable benefits and efficiency savings

8.2   In essence, data and systems management needs to be the focus of the Council's in-house team.

9.   The Current Market

9.1   Block outsources of a whole ICT service is not currently seen as helpful to cutting costs while retaining the capacity to reduce the cost of delivering frontline services to customers. Looking nationally, drivers of efficiency are: process improvement enabled by ICT automation; self service through the online channel; better asset management; increased flexible working (fewer desks than staff); rationalisation of printing (which the Council has already done and is reaping the benefits); better portfolio management through application reviews, centralisation (again broadly done); virtualisation and thin client (again largely implemented); simplification of the infrastructure (which has been done in part); and reviewing how the Council sources its external services.

9.2   The National ICT Strategy plans to deliver a common infrastructure, comprising a single public sector network by 2014, a central shared hosting service from which to procure ICT services and applications, a shared data centre, the Government Applications Store from which the Council can procure and share applications, and even a common "desktop" in place of MS Office. Even if the National ICT Strategy delivers only in part, as major business systems come up for renewal, the intention is that the Council assesses the sourcing options including the transfer of hosting and management to the supplier, and thereby developing a suite of partners in service delivery rather than suppliers. These decisions will be in the remit of the proposed Corporate IS Governance group, and made in a corporate service context rather than on a service by service basis.

9.3   There is a maturing market for outsourcing different aspects of the ICT service, rather than a single block. Visits to two such suppliers have taken place – one regional and one local - who offer a menu of options including hosting our hardware, hosting and monitoring all or specific systems, hosting, monitoring and remediating, remote monitoring of our equipment here, remote monitoring and some intervention.

9.4   The review group also considered the desirability of seeking to partner with another local authority. The synchronising of business needs is not easy as every Council is different in terms of services, scale and systems. Discussions are underway with a number of Councils but not yet well advanced.

10.   Internal Audit view

10.1   The Review Group had its origins in an incident in February 2009 which resulted in an audit of one aspect of the service by our internal auditors. The audit was revisited in February 2010 with the following outcome:

- *The ICT department has made significant progress over the last year in forming a well controlled IT environment when compared to that observed one year ago.*

- *Our work found several low and medium control weaknesses which, if addressed would improve overall control. Our work also showed that these weaknesses were known to management and are being considered with staff responsible and a timetable in place to remedy these weaknesses.*

11   Where We Need To Be

11.1   The value for money benchmarking supports an improvement in Information Systems (IS) governance and a focus on improved training for users. A move to a more (internal) customer focused model of delivery would help address managers' satisfaction with ICT as commissioners of services. Structural changes to the service are needed to enable savings to be released in future years.

11.2   The Review Group concluded that whether it is by adopting a selective outsourcing model or taking up the new services made available in the National ICT Strategy, the infrastructure provision and support requirements will necessarily shrink over time, as the focus shifts to systems and data management. Consequently a change in staff structure has been implemented, bringing the client support team and infrastructure support teams into an integrated Information Systems team under a single manager.

11.3   This proposal will produce a saving in 2011/12 and subsequent years of around £75,000.

11.4   The Review Group also concluded that corporate governance of IS had to be improved if real cost-savings and efficiency benefits across the Council are to be achieved through automating whole business processes across many services. A group with a wholly corporate view, taking decisions on business cases put forward by individual services, will ensure the necessary prioritising of resources takes all corporate priorities and resource demands into account. This will ensure investment in major corporate business systems is made with full consideration of the use of the system to the Council as a whole as well as to the service which identifies the initial need. It will greatly improve the maximisation of our existing investments. The recent virtualisation of the Council's infrastructure has created a corporate infrastructure made up by service-specific groups of servers; a corporate approach to system development and provision is the next step.

11.5   In respect of planned maintenance the Group proposes the designation of the first Saturday in every month as a planned maintenance day with no IS services available to any user. It is important that all remote equipment, including council-supplied computers used at home by Members and staff, are captured in this planned maintenance, and those users will be responsible for ensuring their equipment is plugged in and switched on, at least once a month on or after each first Saturday.

11.6   In respect of unscheduled outages, the Review Group considered using £36,000 of the savings released by the staff structure change to procure out of hours monitoring and remediation of the Microsoft Exchange (email) and BlackBerry servers, and of the online forms, payments, and modern.gov systems, used by our customers 24/7, However, given the severe financial challenges the Council faces and after a risk assessment, the proposal is that the service desk start at 7.00am and finish at 5.15 pm, and remain without monitoring or support outside those hours.

Key Issues for Consideration/Reasons for Decision and Options

12.1   The focus of ICT service provision is shifting away from infrastructure, which is increasingly generic, and towards the data and systems used to deliver services to customers.

12.2   The enabling role of Information Systems to facilitate change and deliver efficiencies in how frontline services are delivered is helped by close, partnership working that would be compromised by wholesale externalisation. However, there are real benefits to be had from selective outsourcing

12.3   Strong corporate governance for the Information Systems function will make it easier to prioritise the benefits of individual business case proposals and provide strong corporate ownership of the benefits that accrue. If a process is automated and resources released, corporate governance is there to ensure the headcount goes down. Not every proposal by every service can be delivered; commissioning at the corporate level will ensure maximisation of the benefits of existing and new systems.

12.4   Planned maintenance should have minimal impact on service availability during publicly available service hours.

12.5   The effect of unplanned outages can be reduced by bringing forward the service desk availability hours and "early morning checks".

12.6   A more streamlined, scalable staffing structure will allow flexibility in accommodating changing service demands in the future, and improved resilience despite a smaller team, through skills sharing and knowledge management.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One   Improved service governance

Establish an IS Corproate Governance Group to identify and realise "whole Council" benefits from the use of technology, ensuring best value and proper prioritising of the corporate IT Infrastructure resource.

This option is recommended to be implemented

Option Two   Improved value for money both in the function and across the whole council

Seek to reduce the base revenue budget, reduce further the capital investment in the infrastructure, and secure one off savings to bring ICT costs as a proportion of total council spend to under x% this year and for the next three years. This to be achieved through

- structural change and staff reduction

- ICT automation, with savings in other services identified and realised through the IS Corporate Governance Group

- More self service through the online channel, reducing

service-delivery resource need in other services. There are additional costs and risks attached to this approach, including security of data. However, a strategy of transferring out, over time, key public facing service will mean that the security requirements are transferred also, while the Council retains control of the strategic direction..

- better asset management, ensuring the Council is not over-licensed, have equipment or applications that are not used etc.

- increased flexible working (fewer desks than staff) across the whole Council, with clearly identified savings to be achieved;

- further rationalisation of printing

- better portfolio management through application reviews

- long term commitment to virtualisation and thin client

- further simplification of the ICT infrastructure

- reviewing how the Council sources its external services

This option is recommended to be implemented.

Option Three	**Outsource the Council's datacentre, releasing the server room and the need to maintain and monitor it, power it and cool it.**

The virtualisation project will, when complete this summer, allow the Council greater flexibility with regards to its physical infrastructure, including the possibility of moving the physical hardware elsewhere. Virtualisation will greatly reduce the physical space that is required to host its infrastructure.

The usual reason for choosing to locate servers elsewhere is to transfer the risk arising from a poor environment. The Council has good power into the building, has a site generator, has good power into the server room etc the current physical setup is appropriate for our requirements.

Additional costs would be incurred from staff travelling to the off-site location, or contracting the host to carry out work.

In the medium term, it is likely that applications used by the Council are increasingly provided direct centrally, or from a supplier; this will reduce the future requirement for the Council to "own" services and hardware. Therefore it does not make sense to commit and limit flexibility now by entering into a costly and long-lived hosting agreement.

In addition, there are no staffing savings to be made by taking this approach; physically looking after the hardware is the smallest part of

the roles in the ICT team.

Finally, the good quality of our datacentre makes it possible to consider seriously a shared service with another authority.

The option to outsource the hardware is not recommended

| Option Four (a) | **Out of hours provision: outsource the monitoring our systems, and the taking action if an agreed list of services fail, out of hours.** |

This is an unbudgeted extension of the service we currently provide to the Council but would address the risk of service loss, and can be accommodated in the savings that will accrue from the staffing structure changes.

This would extend the supported day for a sub-set of applications to match the published flexible working day of 07:00 to 22:00, Monday to Friday and to extend that support through the weekend and other non-supported days, Bank Holidays etc.

The Council already possesses the required tools to allow for event monitoring by a third party outside of the current supported hours of 08:00 to 18:00.

Feedback from users and members has indicated that support outside of the standard day is best targeted at the mail and web services including Blackberries. Business application availability is not expected by most users. However, certain systems do feed information or make services available to the public via the web site so it is proposed that these systems are also monitored.

Exploratory discussions with providers indicate this kind of service is available for around £36,000 locally, around double that from a larger, regional operation. To extend the cover to include overnight between 22.00 and 07.00 would increase this cost to over £70,000.

This option is desirable but not recommended as the need is not currently deemed sufficient to warrant the level of spend associated with it.

| Option Four (b) | **Out of Hours provision: Staff-up the in-house team to provide the out of hours standby and callout in respect of the services set out in Option Two.** |

To deliver what is described at Option Two, through use of in-house staff, would require 2 FTE technicians at approx £50,000 pa, plus additional costs arising from the need to move to a different pattern of working – 5 days from 7 rather than Monday to Friday, and a shift pattern spanning 07.00 to 22.00.

However, dependent upon the Council's needs, known weekend working such as patching and major system upgrades could be accommodated without recourse to overtime, offsetting the cost.

A far greater range of extended support could also be managed than through a third party, as well as more actual working hours in which "work" could be done.

However, this approach requires a critical mass of FTEs and can only work within a larger single technical team. It is vulnerable to sickness and leavers, and given that we do not yet have a robust picture of out of hours needs

This option is not recommended at this time.

Option Four (c)   **Change the working patters of the service desk team**

This will allow earlier morning starts to meet the needs of Capita and pick up overnight failures earlier in the day, reducing the impact on public availability hours.

This option is seen as proportionate and is recommended.

Option Five   **Exploration of the shared services opportunities with neighbouring and other local authorities.**

The Review Group found that while there is not currently a like for like partner which would offer the maximum shared service benefit, efforts should continue both in seeking shared procurement, collocation of data centres and shared service provision.

This option is recommended.

Consultations

Chris Dickens, PWC (Internal Audit)	Internal Audit have approved the contents of this report
	Comments checked by, Chief Internal Auditor 07720 427215
Member Officer ICT Review Group	This group conducted all the research and analysis leading to the proposals in this report.
ICT and IS Staff	Current ICT and IS staff contributed to the review.

Implications

Financial:	The financial implications of the proposals recommended in this report constitute a reduction in service cost to a proportion of total council gross spend less than 2.3% - a specific reduction in base budget of £300,000 by the end 2012/13 (15%).
	Comments checked by Karen Curtin, Head of Finance 01295 221551
Legal:	There are no specific legal implications arising from the proposals in this report.

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686

Risk Management: There are no strategic risks arising from any of the proposals in this report.

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor Nicholas Turner
Portfolio Holder for Customer Service and ICT

Document Information

Appendix No	Title
None	
Background Papers	
None	
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