

Cheltenham Borough Council
Cabinet – 11 December 2012
ICT Commissioning Review

Accountable member	Councillor Jon Walklett, Cabinet Member for Corporate Services
Accountable officer	Mark Sheldon, Director, Resources
Ward(s) affected	None
Key Decision	Yes
Executive summary	<p>The ICT service, like all other parts of the council, has been under pressure to reduce its spending over recent years. The council is currently faced with the twin challenges of:</p> <ul style="list-style-type: none"> i) improving its corporate ICT infrastructure requiring significant investment; and ii) responding to a significant increase in staff turnover in the last 12 months. <p>Although the service has been successful in delivering a number of high profile projects such as the support and hosting centre of excellence provision to GO Shared Services (GOSS), overall the service is under pressure.</p> <p>It was acknowledged that the creation of GOSS could provide the catalyst for other shared service arrangements between the GO partner councils and ICT was always a service area where there appeared to be great potential to collaborate. The ICT commissioning review has provided an opportunity to consider and evaluate the commissioning options available to the council and to recommend a way forward for the future.</p>
Recommendations	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Approves the ICT Infrastructure Upgrade Strategy at Appendix A and recommends to Council that it approves the allocation of funding to finance the programme as part of the budget setting process for 2013/14. 2. Approves the ICT Review Business Case at Appendix B. 3. Cabinet endorses the development of a Business Case for 4 way sharing between the GO partner councils (Forest of Dean District Council, Cotswold District Council, West Oxfordshire District Council) with any decision being brought back to Cabinet at the latest by August 2015 and that the service delivery model (i.e. outsourcing; managed service etc.) be reviewed again at that time.

	<p>4. Subject to obtaining the agreement of the GO partner councils, CBH Limited and Ubico Limited to :</p> <ul style="list-style-type: none"> • Approve the sharing of the council's ICT service with the Forest of Dean District Council, as lead authority. • Delegate authority to the Director of Resources in consultation with the Cabinet Member for Corporate Services and the Borough Solicitor to enter into an agreement under Section 101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 with Forest of Dean District Council, as the lead authority, for the provision of ICT services as outlined in Annex A of the ICT Business Case (Services in Scope for ICT Services) with effect from 1st April 2013 to January 2016. • Delegate authority to the Director of Resources in consultation with the Cabinet Member for Corporate Services and the Borough Solicitor to enter into an agreement under Section 101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 for the receipt of GO ICT Hosting and Support with effect from 1 April 2013 with the Forest of Dean District Council as lead authority for the GO Hosting and Support Centre of Excellence. This agreement may be incorporated into the s101 agreement referred to above. • In order to ensure that existing agreements are consistent with the new agreements mentioned above to delegate authority to the Director of Resources in consultation with the Cabinet Member for Corporate Services and the Borough Solicitor to make consequential amendments to the following GO agreements: <ul style="list-style-type: none"> i) Collaboration Agreement dated 8th November 2010 (as varied (1st April 2012) ii) ERP System supply contract with SCC dated 8th November 2010. <p>5. The council's ICT staff whose roles fall within the scope of the list of services outlined in the service directory (Annex A to the Business Case) transfer to Forest of Dean District Council with effect from 1st April 2013 in accordance with the Transfer of Undertaking (Protection of Employment) Regulations 2006.</p>
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<p>Financial implications</p>	<p>As detailed at sections 2 and 5 of the report</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
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<p>Legal implications</p>	<p>In 2010 and earlier this year, the council together with the GO partner councils entered into a number of agreements to create the GO shared service. These agreements are:</p> <ul style="list-style-type: none"> • Collaboration Agreement dated 8th November 2010 – This agreement is an over-arching contract between the GO partner councils and was entered into pursuant to s1 Local Authorities (Goods and Services) Act 1970, s3 Local Government Act 1999 and Part 1 Local Government Act 2000 and s111 Local Government Act 1972. Consequential amendments were made to this agreement when the GOSS agreement was entered into on 1st April 2012. • Support and Hosting Section 101 dated 8th November 2010– under this agreement the Council is the lead authority undertaking the services for the other partner Councils in accordance with s101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 • ERP System Supply Contract dated 8th November 2010– this contract relates to the ERP System with SCC • GOSS Agreement dated 1st April 2012-under this agreement the council delegated its finance, procurement, HR and payroll services to Cotswold District Council in accordance with s101 Local Government Act 1972 and s19 and s20 Local Government Act 2000 <p>The sharing of ICT services between this council and the Forest of Dean requires the agreement of all the GO partner councils as well as Ubcio Limited and CBH Limited (who receive their ICT services from this council). It is likely that each council and organisation will need to obtain the formal authority of their council to terminate the existing GO Support and Centre of Excellence s101 with the council and to transfer the functions to the Forest of Dean District Council.</p> <p>Contact officer: Shirin Wotherspoon, shirin.wotherspoon@tewkesbury.gov.uk, 01684 272017</p>
<p>HR implications (including learning and organisational development)</p>	<p>HR implications are detailed within the business case. The HR Business Partner will work closely with the service to ensure the TUPE process is followed correctly, keeping trade unions and employees fully informed.</p> <p>Contact officer: Donna Sheffield, donna.sheffield@cheltenham.gov.uk, 01242 774972</p>

Key risks	<p>An initial risk assessment is attached in Annex I of the ICT Review Business Case. Risks categorised with a risk score of 16 or above (red within the risk assessment matrix) will be transferred to the Council's Corporate Risk Register.</p> <p>The key strategic risks associate with this project are:</p> <ul style="list-style-type: none"> i) Risks associated with the development and implementation of a shared ICT Service ii) Risks associated with the critical nature of ICT services iii) Risk associated with need to make the infrastructure investment
Corporate and community plan Implications	<p>The successful implementation of a shared ICT service will make a significant contribution to the delivery of the council's corporate plan outcomes (i.e. back-office efficiencies to protect front-line service delivery)</p>
Environmental and climate change implications	<p>Being a shared service there will be an increase in staff travelling between the two partner councils (Cheltenham and Forest of Dean).</p> <p>With the rationalisation of the ICT infrastructure there is the potential to reduce the electricity usage required for the server room at Cheltenham Borough Council.</p>

1. Background

- 1.1 Along with the rest of the Public Sector, Cheltenham Borough Council is undergoing a significant reduction in its operating budget. The challenge facing all Councils is how to continue to provide good quality services to customers with ever decreasing resources. In this respect, it is well acknowledged that back office efficiencies can significantly reduce operational costs for frontline services.
- 1.2 The ICT service, like all other parts of the Council, has been under pressure to reduce spending over recent years. This has led to under-investment in the corporate ICT infrastructure (PCs, laptops, operating systems etc) which is now becoming apparent through increased ICT service interruptions.
- 1.3 Coupled with this, the ICT Service has experienced a high turnover of staff in the last twelve months and, although there has been successful delivery of high profile projects such as the Support & Hosting Centre of Excellence provision to the GO Shared Services programme, overall the Service is under pressure.
- 1.4 However, as Cheltenham Borough Council is a commissioning authority, the current situation presents an opportunity to review what is required from the ICT service, and to assess options for its provision.

CBC ICT Service – Current Issues

- 1.5 The overall cost of the ICT service, excluding the annual ICT infrastructure renewals programme cost but including support services charges to the ICT service e.g. GO charges and the cost of the Municipal offices, is £739,000 per annum.
- 1.6 During 2010 data was collated as part of a SOCITM (Society of ICT Managers) value for money

benchmarking assessment for all Local Authorities. Since 2008-09 the service has contributed towards cost savings through the use of new technologies and efficiencies. Overall savings totalling £346,000 per annum have been achieved.

1.7 However, whilst the SOCITM survey in 2010 assessed the ICT service as generally good and fit for purpose, most recently a number of pressures are being felt by the service:

- The impact of single status and the resulting loss of key technical staff responsible for databases, servers, telephony and network
- ICT management numbers reducing from 3 to 1 since the departure of the Assistant Director CAST and with the ICT Business Support Manager moving to the Commissioning Division
- The need not only to invest in the Council's corporate ICT infrastructure but also to provide the ICT team with the necessary technical skills to support the infrastructure implementation.

2. CBC ICT Infrastructure Upgrade Strategy

2.1 The proposed ICT infrastructure upgrade strategy is attached at Appendix A. When evaluating the options open to commission CBC's ICT service provision, assumptions regarding the capital investment that will be needed for each commissioning option have been made.

2.2 A summary of the capital investment requirement and the funding strategy over the period of the MTFS is set out in the table below:

Funding strategy - capital	2013/14 (£k)	2014/15 (£k)	2015/16 (£k)	2016/17 (£k)	2017/18 (£k)	5 Year Total (£k)
Total annual investment strategy budget (based on the shared service – preferred option)	409.5	241.1	275.6	77.4	62.8	1,066.4
Funded by:						
Existing one off funding available	348.0					348.0
General Fund Capital Reserve	11.5	141.1	225.6	77.4	62.8	518.4
Housing Revenue Account (HRA)	50.0	100.0	50.0			200.0
Total funding	409.5	241.1	275.6	77.4	62.8	1,066.4

2.3 The infrastructure investment supports the full range of council activities and services including the Housing Revenue Account. The Cabinet's agreement to the recommendations for corporate ICT infrastructure investment is necessary to underpin the commissioning decision recommended and addresses the issue of lack of investment which came out of the review.

2.4 There is a requirement for additional resources, over and above the sources of funds currently earmarked to support the ICT commissioning review and existing budgets. The Cabinet is requested to support a recommendation to council to earmark an additional £518.4k from the Capital Reserve and use £200,000 from Housing Revenue Account Reserves to support the ICT Infrastructure investment programme.

2.5 In addition, there is a revenue investment requirement associated with the capital investment over the period of the MTFS as outlined in the Annex B of the Infrastructure Upgrade strategy. The Infrastructure upgrade strategy includes expenditure which was already in the programme including some items which were funded from existing revenue budgets. By agreeing the funding

strategy for the capital investment, revenue budgets are released to fund the above revenue implications of the infrastructure upgrade programme; therefore no additional revenue funding is required.

3. ICT Review Business Case

3.1 The ICT Review Business Case (Appendix B) outlines the business drivers which have lead to the commissioning review of ICT, namely:

- The ICT estate has been under invested over the last few years - service levels, resilience and project support are suffering as a result.
- The resource pool in the organisation is not sufficiently sized or skilled to deliver the ICT needs of the Council.

3.2 In addition, the Council is seeking to achieve further efficiencies from its back-office services and whilst ICT has reduced its cost of the last 4 years the Medium Term Financial Strategy (MTFS) is such that all areas of the Council are being expected to contribute to achieving a balanced budget.

ICT Service Delivery Scope

3.3 A service directory has been compiled which outlines the services in scope of this ICT Review and this is outlined at Annex A to the Business Case. When evaluating options, this service directory has been used as the basis on which the services have been assessed, for both a financial and non-financial perspective.

Service Operation	The activities required to deliver 'business as usual', such as fault resolution, support and maintenance.
Service Strategy	The governance arrangements and decision-making processes that align service offerings to business needs. This includes ICT strategy, service delivery, standards, performance, portfolio (applications) and financial management.
Service Design	Building structural service integrity into the infrastructure, systems software and applications deployed to advance the strategy. This includes identification of service requirements, design of technical solutions, service level management and service assurance.
Service Transition	The activities that support the preparing for, and management of, change, including transition planning, asset and configuration management, and change management.

Ambition and Outcomes for the ICT Service

3.4 The overall ambition for ICT is:

A modern, in touch and innovative ICT service, which is an integral part of the business that understands and responds to the complex business needs of the Council and its partners enabling delivery of services in innovative, effective and efficient ways.

3.5 Commissioning requires a focus on the outcomes which the Council is looking to deliver once the service has been commissioned. The project team engaged with Members, Senior Leadership Team (SLT) and service managers to identify what was important to them from ICT in the future.

In summary the options that Members and officers were looking for from ICT in the future are:

- An up to date ICT infrastructure which meets business needs
- Resilience – systems and technologies plus staffing numbers and support
- Secure – systems that are secure and tested ICT disaster recovery / business continuity plans in place
- Flexibility / agility – to refocus resources etc as situations change and opportunities arise
- Modern and innovative – able to respond to complex needs of the Council and its partners business requirements
- Providing an opportunity for formal ICT support outside of normal office hour in the future
- Continuous improvement – ensuring ICT continues to provide an excellent service to the Council and to all partners
- Horizon scanning – ability to identify emerging technologies and assess their relevance for services and achievement of the Council's outcomes

3.6 Annex D (Evaluation of Service Delivery Models) to the Business Case summarises how each of the identified service delivery options measures up against the outcomes the Council is seeking to achieve from commissioning ICT.

Scrutiny Task Group Recommendations

3.7 Commissioning reviews are generally supported by a Cabinet Member Working Group who provide a critical friend challenge to the Cabinet Member and the project team. In the case of ICT, this role was performed by a scrutiny task group which had been set up to review the Council's current ICT provision.

3.8 The scrutiny task group undertook a high level review of the ICT service from which a number of recommendations were made and considered and accepted by Cabinet at its meeting on 16 October 2012.

3.9 In addition to meeting the requirements of the ICT services laid out in the service directory, the scrutiny task group felt it was important that the following contextual issues were addressed in any decision to commission the service:

- A long-term ICT infrastructure plan was essential to support the future delivery of a modern and effective ICT service regardless of how the service was delivered
- As part of the long-term infrastructure plan, the impact of GO and other existing and any new IT applications on the Council's infrastructure, current and future, be understood and underpin the commissioning review decision
- The Council's desire to move offices in the future must be taken into account when determining future ICT provision as must the potential impact of the Council commissioning other services away from the Council's direct provision
- Particular provision must be made for Members ICT to ensure that it is as flexible as possible and compliant with Government required security arrangements
- Disaster recovery and business continuity planning must be carefully considered in any decision to commission ICT

GO Shared Services and ICT Hosting and Support

3.10 The Council is in a fairly unique position in that it is the Support and Hosting Centre of Excellence

for GOSS and has been delegated, under Section 101 Agreements, to provide GO related ICT services to the GO partner councils (Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council).

- 3.11 Any decision to move away from direct provision of ICT by the Council will require agreement from the GO partner Councils, based on a due diligence process, and this will be covered later when considering implementation of the shared service with Forest of Dean District Council.
- 3.12 Discussions with the GO partners at the GO Client Officer Group (GO COG) determined that none of the partners had any objection to the support and hosting moving to the Forest of Dean District council and none of the GO partner councils put forward any alternative bids for support and hosting.

4. Service Delivery Options

- 4.1 Section 2 of the Business Case outlines the options appraisal process and describes how the long-list of options was reduced to 3 potential delivery arrangements:
- Outsourcing
 - In-house
 - Shared Service
- 4.2 Annex F to the Business Case shows a SWOT (strengths, weaknesses, opportunities and threats) analysis of the three potential delivery arrangements.

Assumptions

- 4.3 When evaluating the different service delivery models available, it has been assumed that the ICT Infrastructure Upgrade Strategy – November 2012 has been approved for the funding of the required improvements to the council infrastructure.
- 4.4 When evaluating the 3 potential commissioning options it was determined that no matter which option was chosen it would require a similar level of investment to update the infrastructure to what would be considered appropriate for servers and storage hardware.

5. Options Appraisal

- 5.1 The option appraisal process has 2 parts. Firstly, a non-financial qualitative assessment of how well each of the short-listed options might deliver against the outcomes (criteria) set by the Council and, secondly, a financial appraisal of the costs and benefits of each option.

Non-financial Assessment

- 5.2 Earlier in this report the strategic outcomes which Members and officers wanted to see from the Council's ICT service in the future were described. These outcomes or criteria formed the basis of the non-financial appraisal of the 3 potential delivery options.
- 5.3 Annex D (Evaluation of Service Delivery Models) to the Business Case shows the outcome of the assessment and concludes that all three options are capable of supplying the required outcomes but the requirements will be best met by either outsourcing or through a shared service with Forest of Dean.
- 5.4 The in-house option was assessed to be lacking in terms of resilience and disaster recovery / business continuity. It would also be less well equipped to provide out of hours support.

- 5.5 It was also considered at this point of the assessment that the shared service option with Forest of Dean provided the greatest flexibility to facilitate the wider sharing of ICT services across the GO partner councils. Therefore, the outcome of the financial assessment would be important to determine whether the financial case for sharing was either better than outsourcing or, if not, whether it would be worthwhile sacrificing greater savings in the short term for potential bigger savings in the longer term.

Financial Assessment

- 5.6 Earlier reference was made to the ICT Infrastructure Upgrade Strategy. The strategy is important to the commissioning decision because the three options result in slightly different infrastructure and associated costs. The Business Case outlines these in detail but a summary of investment required over the period of the MTFS i.e. 2013/14 to 2017/18, is as follows:

	Outsource (£)	In-house (£)	Shared Service (£)
Total Capital Investment	1,050,400	1,079,100	1,066,400
Total Revenue Investment	251,500	340,900	285,000

- 5.7 Annex I to the Business Case (Costs and Savings) provides a summary of the costs / (savings) that each option is expected to deliver over the period of the MTFS i.e. 2013/14 to 2017/18:

	Outsource (£)	In-house (£)	Shared Service (£)
Annual costs / (savings) by 2015/16	£(11,800) to £(33,900)	146,700	(159,500)
Total costs / savings 2012/13 – 2017/18	£(59,000) to £(169,500)	733,500	(516,200)

- 5.8 Against the overall cost of the ICT Service (£739,000 per annum) the Shared Service option will deliver annual savings of £159,500 per annum (22%) by 2015/16.

- 5.9 Although over the next five years, there will need to be a slightly larger investment made in the Shared Service option (an additional £16,000 capital and £33,500 revenue); the savings that will be made are significantly larger. From a financial perspective it is therefore recommended to proceed with the Shared Service option.

Shared Service Savings

- 5.10 Savings are likely to arise from the standardisation of the infrastructures, including the creation of common PC and laptop images across both councils. Further savings are likely to arise from the creation of the shared service. In addition, having so many applications is also expensive in licensing and presents complex support issues. Working with the relevant service units, common business applications will be reviewed to see if they can be shared or change how they are delivered (e.g. through cloud computing). It is anticipated that annual fees can be significantly reduced.

Potential Future Savings

- 5.11 The Business Case (Section 3) also identifies additional areas where it is anticipated savings will

be achieved:

Delivery Roadmap

5.12 The Business Case (Annex H) outlines the roadmap for sharing ICT with Forest of Dean District Council. The roadmap has been discussed with the relevant senior officers and Cabinet Member and if Cabinet endorse the approach to share between the two councils then Forest of Dean will present the proposal to their Cabinet in January 2013.

5.13 Key milestones from the roadmap are:

- January 2013 to April 2014 – share ICT Manager and Business Application Manager between Forest of Dean and CBC – commence work on standardising infrastructure and investigating opportunities presented by hosted solutions or cloud computing
- April 2013 to July 2015 – CBC ICT services staff (16.8FTE) TUPE to Forest of Dean as the lead authority effective from 1 April 2013 – continue to rationalise infrastructure and applications and complete the infrastructure standardisation by October 2014
- April 2015 (overlap) – December 2015 – Develop Business Case for enlarged ICT shared service (four way sharing) detailing cashable savings, efficient and resilient service delivery
- January 2015 onwards) – Depending on the outcome of previous stage formalise three way sharing with Cotswold and West Oxfordshire District Councils.

Funding Strategy

5.14 The council had previously allocated funds to support both the commissioning project and elements of the infrastructure upgrade in setting the budget for 2012/13 in February 2012.

5.15 The funding strategy for the Infrastructure Investment has been outlined at section 2. The following table summarises the revenue implications of the recommended service delivery option to set up a shared service. It should be noted that these are indicative estimates only.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
Shared Service	£9,200	£41,800	-£79,500	-£159,500	-£159,500	-£159,500	-£516,200

5.16 At this stage it is assumed that the additional revenue costs in 2012/13 and 2013/14, which arise from the creation of the shared service, will be met from within the existing current and next year's budget. This will be reviewed at the 2012/13 financial year end.

5.17 In addition, there are one off revenue set up costs totalling £59,500, associated with potential de-commissioning costs, initial legal and pensions advice (see Business case - Annex I). These costs will be met from the budget already set aside and agreed by the council in February 2012.

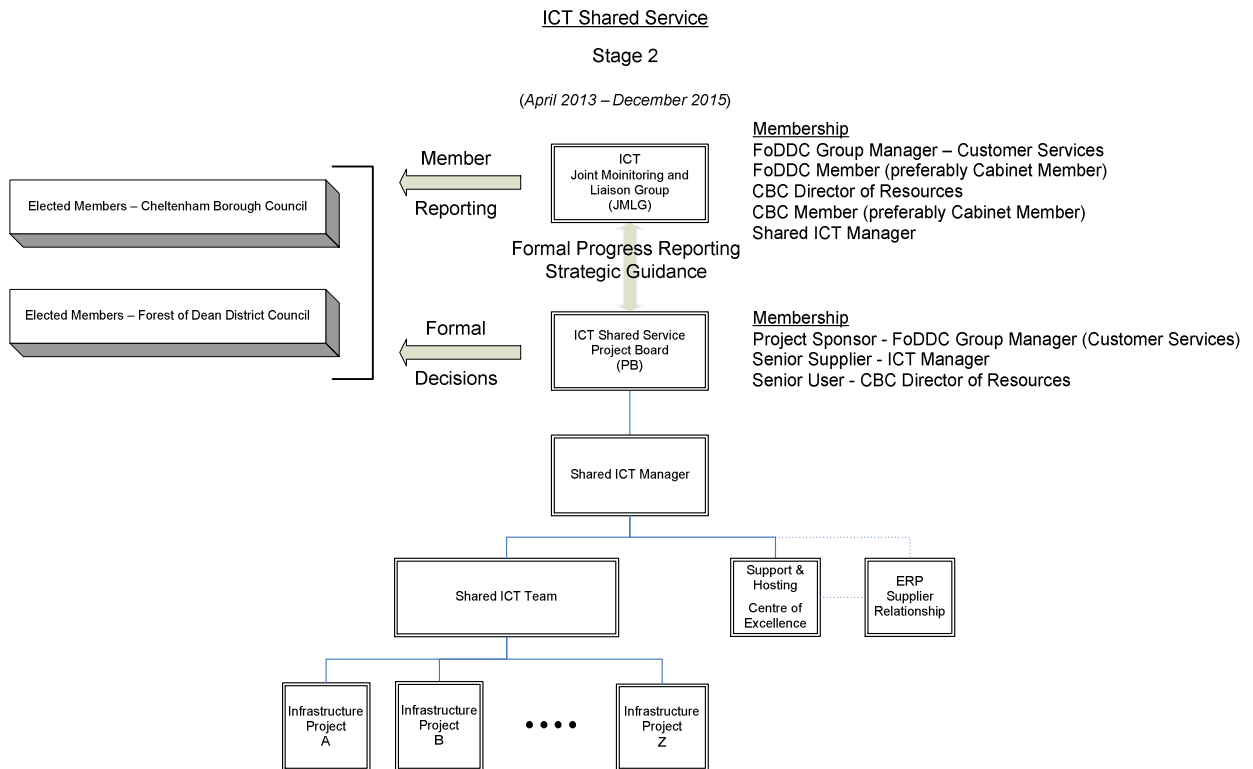
6. Recommendations and Next Steps

6.1 Based on the non-financial assessment of the 3 short-listed options and the outcome of the financial assessment the option which best satisfies both the strategic outcomes identified by officers and Members and delivers the best financial outcome for the Council is a shared service with Forest of Dean District Council.

- 6.2** Furthermore, the recommendation is that Forest of Dean District Council be designated the lead authority for the shared service with effect from 1 April 2013 under an agency agreement under Section 101 Local Government Act 1972 and Sections 19 and 20 Local Government Act 2000.
- 6.3** The creation of the shared service will require the TUPE - Transfer of Undertakings (Protection of Employment) Regulations 2006 - of CBC staff to Forest of Dean District Council with effect from 1 April 2013.
- 6.4** As the Council is currently the Support and Hosting Centre of Excellence for GOSS the creation of the shared service and the consequent eventual TUPE transfer of CBC staff, will be subject to the completion of a due diligence process carried out by the GO Shared Services Client Officer Group. Once this is complete to the satisfaction of the client officers, formal Cabinet endorsement by Cotswold District Council and West Oxfordshire District Council will be required to accept the GOSS Hosting and Support Centre of Excellence service from Forest of Dean District Council from 1 April 2013.

7. Performance Management – Monitoring and Review (Governance arrangements)

- 7.1** In terms of the Project Team structure, it is expected that the Project Board will comprise the Project Sponsor (Forest of Dean District Council Group Manager (Customer Services)); the Senior Supplier (ICT Manager) and the Senior User (Cheltenham Borough Council Director of Resources).
- 7.2** Forest of Dean District Council will appoint a Project Manager(s) to be responsible for the delivery of the project to standardise ICT infrastructures and the eventual restructuring of the ICT Team.
- 7.3** From April 2013 there will be three reporting mechanisms in place:
- An ICT Shared Service Project Board that will be managing the delivery of the standardised infrastructure within Cheltenham Borough Council
 - An ICT Joint Monitoring and Liaison Group (JMLG) that will be monitoring the performance of the Shared ICT Services at both Forest of Dean District Council and Cheltenham Borough Council
 - The GO Shared Services Joint Monitoring and Liaison Group that will continue to monitor the performance of the GO Support & Hosting Centre of Excellence as currently happens.
- 7.4** The performance of the Shared ICT Service will be monitored through Service Level Agreements (SLA) agreed as part of the Section 101 Agreement. The SLA will be monitored by the ICT JMLG comprising:
- Group Manager (Customer Services) - Forest of Dean District Council
 - Cabinet Member - Forest of Dean District Council
 - Director of Resources - Cheltenham Borough Council
 - Cabinet Member - Cheltenham Borough Council



Governance Arrangements flowchart

7.5 Suggested Key Performance Indicators (KPIs) for the monitoring of the Shared ICT Service are included in Annex J of the ICT Review Business Case.

8. Equalities and Impact Assessment

8.1 Based on the initial equalities impact assessment, due to the nature of the project, the equalities impact is very small. The Project Board will ensure that equalities impacts are considered during all major processes from procurement through configuration to business and employee change arrangements.

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Appendices	A. Infrastructure Upgrade Strategy B. ICT Review Business Case
Background information	1. ICT Shared working agreement