

<b>Subject:</b>	<b>ICT Strategy &amp; Resourcing update</b>		
<b>Date of Meeting:</b>	<b>February 13<sup>th</sup> 2014</b>		
<b>Report of:</b>	<b>Executive Director, Finance &amp; Resources</b>		
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The report provides an update on progress in delivering the ICT Strategy 2011-2016 which was approved by Cabinet on 13 October 2011 and the ICT Capital Investment Plan which was approved by Policy & Resources Committee on 21 March 2013. It sets out the current budget context for ICT investment and the ICT service, linked to the General Fund Revenue Budget and Capital Budget reports elsewhere on this agenda. This follows a request for further information made by Policy & Resources Committee at its meeting on 5<sup>th</sup> December 2013.
- 1.2 The ICT Strategy underpins the Corporate Plan priority of Modernising the Council. In particular it supports:
- **high performing services** that are delivered effectively using information that is reliable, high quality, joined up and easily accessible;
  - **customer access** by improving web services, enabling online transactions and greater self-service and improving access to information;
  - **modern workstyles** enabling staff to work in a flexible environment and increasing the efficiency and mobility of the workforce;
  - **collaboration** by removing the technical barriers to sharing information and with other departments partners and the public; and
  - **sustainability** by introducing technologies that reduce environmental impact.

**2. RECOMMENDATIONS:**

- 2.1 That progress in delivering the ICT Strategy 2011-2016 be noted.
- 2.2 That the resourcing consequences of that strategy be considered as part of the Council's budget setting processes.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 A 2013 summary update of the 2011-2016 ICT Strategy has been produced and is attached at Appendix 1. There are no substantive changes in approach set out but the update reflects the revised Corporate Plan and the progress made since

the original document was written. Over this period there has been closer collaboration with South East 7 partner authorities and a dramatic tightening of the government's security requirements and this provides a changed context.

3.2 Policy & Resources Committee on 21 March 2013 agreed capital and revenue investment of £5.930m over a 3 year period and this was built into the Council's budget plans at this time. That report set out the investment requirements in order to move away from short term tactical investment decisions and to secure better value for money through long term planning. It explained that failure to invest at this critical point would not only place the already stretched current infrastructure and core technologies at risk (with the consequent impact on day to day service delivery) but also undermine the council's future ability to grow and meet increasing demand for technologies that deliver services safely and securely, while protecting the integrity of personal and sensitive information. This would lead to unacceptable levels of risk to the authority in terms of:

- Information security (robustness against malicious attack which is becoming increasingly sophisticated);
- Business continuity and customer service (threats to availability of services as the architecture ages);
- Actual or opportunity cost (slow, unresponsive, legacy architecture that won't allow the authority to maximise benefits and savings from its investment in modernisation e.g. the Workstyles Programme and may reduce staff productivity).

3.3 Over the last 12 months those risks have escalated and the business impact has been felt by staff, members and customers – this is recognised within the council's Strategic Risk Register 2013/14 with

- Risk No 18 – Effective use of technology and
- Risk No 10 – Information Governance Management.

The mitigating controls for both include delivery of the ICT Strategy, ICT Investment Plan and prioritisation of the ICT security work to support PSN Code of Connection compliance.

3.4 Progress has been good as set out below, in implementing the significant package of investment in that plan, alongside already agreed investment in the council's network and further investment as part of the Digital Customer Experience and Workstyles programmes. However some re-profiling of the planned investments has taken place:

### **Sussex Public Services Network (PSN) – The LINK**

3.5 The Council is dependent on data networks to deliver information systems and communication services to over 240 sites including schools. Services such as internet, email and telephony are essential to the delivery of Council services. The contract between the Council and Virgin Media Business (VMB) for the provision of voice and data services expired in August 2013. On the 14th July 2011, Cabinet authorised the procurement of a shared Wide Area data network through the Sussex "LINK" Partnership. Procuring data services with partners has helped to contain the costs and the costs of the procurement itself are

estimated as a saving of £0.200m. The LINK PSN procurement was undertaken alongside a concurrent process by Surrey CC. Through close collaboration the LINK has been able to reuse learning and content from Surrey CC and previous procurements by Kent CC and Hampshire CC.

- 3.6 At the time of writing 80 sites had migrated onto the new network and the time and costs of the rollout, although slower than target, are within the boundaries and contingencies of the original plan.
- 3.7 Over recent weeks the council's internet speed has come under severe pressure for a number of reasons, including the introduction of new firewalls for security compliance and growing demand for web streaming services particularly by schools. The new network will help to alleviate this, including action being taken to separate the schools network from the rest of the council's services.

### **Voice and Local Area Network**

- 3.8 The Council is heavily dependent on telephony for the effective delivery of services. The Council has a mixture of older, higher cost analogue and newer, cheaper digital services. The objective is to move all telephony to flexible and cheaper single digital solution. This will support flexibility for staff and support the Workstyles programme. For example, staff can sign into their own phone extension on any phone. This is dependent on upgrading the Local Area Network (LAN).
- 3.9 The investment in this migration has been delayed for two reasons;
- firstly the LAN, over which the telephony service is delivered, has to be redesigned to resolve the current slow performance and to meet new security standards and
  - secondly, PSN CoCo security compliance work has had to take priority.

This has meant that Value for Money savings of £93k relating to telephony costs have not yet been achieved and are currently contributing to the ICT Department TBM Forecast overspend.

- 3.10 The LAN improvement work is aiming for completion at the end of Summer 2014, which will make significant improvements to the current speed problems. It is intended that the migration to a full digital telephony service will be completed across the remaining sites by early 2015.

### **Data Centres**

- 3.11 The agreed investment in data centres recognises that the authority's computer rooms and equipment are reaching end of life. This follows an independent technical assessment of the rooms which concluded that they are not fit for purpose and in their current state present a significant risk to service delivery. This is probably the most complex part of the council's investment strategy because of their importance to business continuity and the evaluation of options is ongoing using specialist data centre consultants.

### 3.12 Market exploration has been undertaken including ;

- New on-site options
- buying from national frameworks,
- buying a shared service from Surrey CC's newly purpose built data centres
- buying a private sector service either directly from the local or national markets or
- buying via another authority, for example using West Sussex CC's contract with Capita.

Key factors that need to be taken into account in determining the council's future requirements for data centre services include; complex security requirements, the impact of the Workstyles programme and the requirement for 24/7 integrated adult social care services with the NHS. The capital and revenue investments will fund the implementation and transition to a recommended option. It is likely that the running costs of the new option will be higher and this will impact on the Medium Term Financial Forecast. A report with recommendations for the future of our data centres will be presented to this committee in March 2014.

### **Desktop & Operating Systems**

- 3.13 Pressure on licensing costs across the council is anticipated to continue to grow as demand increases for more complex and sophisticated products and the need for collaboration leads to more users needing to access multiple systems. It is important to note that licensing costs are driven by headcount not by full time equivalent staffing numbers and so as the workforce becomes increasingly flexible, mobile and focussed on partnership working, so licensing costs are likely to continue to increase.
- 3.14 The council currently uses Microsoft Windows XP as its operating system and Office 2003. These have been successfully exploited for their full lifespan, but Microsoft support and updates will cease in April 2014 so they must be replaced in full. Timescales are very tight and roll out of Windows 7 and Microsoft 2010 is in progress. In order for this to be implemented successfully, there must be extensive testing to ensure compatibility with the council's existing desktop and server estate and around 300 applications.
- 3.15 The investment programme and Workstyles programme had already factored in the need to purchase a significant number of new desktops and laptops. The new annual Microsoft subscription licensing costs will be significantly higher than the current budget and therefore an ongoing new service pressure of £250,000 has been included in the General Fund Revenue Budget Strategy.
- 3.16 Consideration has been given to moving to Open Source desktop and office software to avoid this increase in costs. This is assessed to be unachievable at this time for the following reasons:
- There are significant compatibility issues with major desktop applications in use across the authority and unknown support issues

- The initial security guidance from Cabinet Office/CESG has only recently been issued and is yet untested in large deployments.

This will be re-reviewed in line with the planned Microsoft Enterprise Subscription Agreement contract end date in 2016.

- 3.17 In order to support the Workstyles programme the council has invested in Citrix which enables users to work from a variety of council locations. The number of users needing Citrix licenses in the first two phases of the Workstyles programme was originally underestimated so costs have increased and a service pressure of £60,000 has been included in the General Fund Revenue Budget Strategy. There has also not been the expected fall in Microsoft licensing costs leading to a £20,000 pressure on the ICT Value for Money savings. Revised calculations for Citrix were included in the business case for Workstyles Phase 3 for new users. This was agreed by Policy & Resources committee in September 2013.

### **Information Management & Governance**

- 3.18 The approved ICT Strategy sets out that Information Management is an essential discipline in the good governance of any organisation. Good information management practice mitigates risk of information loss, ensures legal and regulatory compliance and enables the full exploitation of the information to deliver improved customer experience and efficient service delivery.
- 3.19 The key strategic drivers which depend on sound information management practice include:
- NHS and Social Care integration driven by the Care Bill. This will require greater information sharing, 24/7 support for access to information and the development of technologies and infrastructure that allow the information sharing to take place within the legal and regulatory framework,
  - Workstyles and the development of fit for purpose Electronic Document and Records Management (EDRM), populated with information that is accessible to the right people at the right time, is of high quality, reliable and relevant,
  - the further role out of the corporate Customer Experience Management system, to support the Digital Customer Experience programme.
- 3.20 There has been significant progress over the last year; the governance framework has been established with the implementation of the Information Management Board, chaired by the Executive Director, Finance and Resources, a policy framework was approved at this Committee in July 2013, an Information Governance training programme has been developed and rolled out to priority staff and half of the organisation is now using Electronic Document & Records Management (EDRM) through Workstyles.

- 3.21 In common with many local authorities, over the next year the council will undertake an Information Audit. This will provide the basis for more efficient management of information, reduce the risk of compliance issues, reduce duplication, the cost of storage and create the basis for building the Customer Record. To confidently and safely share information with partners the council must demonstrate strong assurance of the controls it has to outside monitoring agencies and to those partners themselves.

### **Application Rationalisation**

- 3.22 Spend analysis following the iMPower Value for Money report of 2009 showed that approximately 80% of the ICT spend is with a very small group of suppliers. The rest is spread across a large number of small low cost suppliers. The cost of migration and business disruption for each of the applications provided by those small suppliers is often disproportionately large compared to the saving achievable. Furthermore, there may be nothing as yet to migrate to. The high level expectations set by the iMPower report, in practice, have proved to be unachievable across the authority resulting in a service pressure of £222,000.
- 3.23 However, there has been targeted effort to contain and reduce costs with the major suppliers. Significant work has also been done alongside the Workstyles programme and continues to be done through the Windows 7 rollout, on reducing duplicated desktop software, for example numerous different photo editing software packages are being scaled back to one.
- 3.24 The investments undertaken in support of the Digital Customer Experience and the planned investments in Enterprise Content Management and Records Management will also cut the number of small applications and data stores. This will continue to reduce duplication, improve governance and contain costs.

### **Security & Compliance**

- 3.25 As outlined in the Audit and Standards committee report, it is vital that the Council maintains the security of its information and services. The Council is custodian for an enormous amount of very sensitive information, including that of the most vulnerable individuals within our society. The Council also has legal and compliance obligations as a public service provider.
- 3.26 Earlier investments to support previous Codes of Connection and the Information Commissioner's Office Undertaking have resulted in contract costs which have not hitherto been corporately recognised within ICT's budget. This has resulted in pressure on the ICT Contracts budget which has up to now, partially been offset through vacancy management and cost reductions elsewhere and shows in the overspend position in ICT's budget forecast.
- 3.27 Public Service Network Code of Connection (PSN CoCo) compliance for 2013 has now been achieved. The majority of the investments made over the last 12 months, were planned within the ICT Investment, but had to be brought forward due to the much accelerated timescales for compliance set by the Cabinet Office. For example investments in some replacement network switches, increased firewall protection and the rollout of two factor authentication.

- 3.28 This has also meant that the revenue consequences of these investments have been felt much earlier than expected. Examples include the implementation of Patch Management and Protective Monitoring software which has created a revenue pressure of £22,600 as part of the 2014/15 service pressure proposals.
- 3.29 There have been some additional costs through the speed at which the investments had to be made and the pace of change. These have largely been in costs associated with bringing in the external expertise and temporary capacity required to implement the changes at pace and are reflected as a £50,000 contribution to the overspend position in ICT's budget forecast.
- 3.30 The other critical consequence has been that many business led projects could not be adequately resourced to protect capacity for PSN CoCo. It was possible to maintain progress on LINK network change due to its critical path and work in support of the Digital Customer Experience and website as this drew from a different pool of skills.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 The scope of work by ICT is very substantial and this report is not designed to cover all aspects, in particular it does not cover in detail:
- the Citywide Metro Wifi concession which was the subject of a report to Policy & Resources Committee on 29<sup>th</sup> November 2012.
  - any future investment requirements for major applications - for example OHMS (the housing management system), CareFirst (the social care system), Pier (the HR/Payroll system), Authority Financials (the finance system) and others. However it should be noted that there is a likely necessity to change the existing National Non-Domestic Rates system over the coming year. This will be a vital change to protect the council's Business Rates income and may require resource.
- 4.2 As set out in the approved ICT strategy, a mixed model of sourcing and provision of services has been adopted. In common with the Government's approach led by Government Procurement Service (GPS) and Government Digital Service (GDS), it does not propose adopting a single supplier model.
- 4.3 Rather it advocates a mixture of "buy and build".
- "Buying" is most likely where there is a well developed but affordable commodity type supply market (for example Networking and potentially Data Centres). These are sometimes referred to as Service Towers in the Government's Service Integration and Management (SIAM) approach.
  - "Building" where the focus is on creating innovative, digital services which impact citizens and the public (for example the gov.uk website).
- 4.4 This is considered to be the most agile route to take advantage of new technologies and to respond to changing requirements whether service led, organisational or owing to national drivers. However it does require a high level of skills in ICT procurement and contract management to assess, test and

manage the available options. Reliance will therefore continue to be placed on specialist advisors, as well as close collaboration across the SE7.

- 4.5 The results of benchmarking activity show that in line with several other measures, ICT spend as a % of revenue spend and spend per user are both significantly below the average for Unitary authorities. It is clear that the council's costs of ICT are unsustainably low and ongoing revenue and capital investment is required irrespective of the sourcing and provision model. The council's original VFM programme assumed a percentage of savings could be made on ICT contracts through better procurement. While this was not an unreasonable assumption it did not take into account the fact that the baseline spend was very low in the first place.
- 4.6 There has therefore been an ongoing and growing mismatch between actual contractual spend and available budget which needs to be resolved. The ICT service had been managing this pressure through holding vacancies offsetting the overspend as far as possible but this has been putting the service at risk given the scale of investment and change required. The underlying problem of underfunding of contracts therefore needs to be resolved as part of the budget setting process and £175,000 has been included to take account of this.

## **5 COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 There has been no specific community engagement or consultation on this report as it is an update only. However the report includes information on partnership working, in particular with SE7 local authorities.

## **6. CONCLUSION**

- 6.1 It is requested that the progress of implementing the approved ICT Strategy and the ICT Investment fund be noted.
- 6.2 That the budget position, resource requirements and context for ICT security and investment is noted within the budget setting process.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 The Capital Investment Programme and General Fund Revenue Budget agreed at Policy and Resources Committee on 14 February 2013 and at Budget Council on 28 February 2013 to support an ICT Investment Plan 2013-16 for capital contributions of £1.0m in 2013/14 and £2.0m pa for 2014/15 and 2015/16 alongside up to £1.0m revenue to support modernisation of ICT across the authority. This funding has been factored into the Council's Capital Investment Programme and ICT revenue budget. ..
- 7.2 Policy and Resources agreed on 14<sup>th</sup> June 2012 to allocate £1.0m to support the costs associated with implementing the Sussex Public Services Network (The Link) with a further contribution of £0.5m from reserves in 2013/14. Budget Council in February 2013 approved the allocation of £0.25m recurrent funding to support the increased ongoing costs of the Link..

- 7.3 The Workstyles Phase 3 programme agreed at Policy and Resources on 12<sup>th</sup> September 2013 included up to £2.0m investment to support delivery of Citrix, data centre moves, cabling and new ICT equipment for that particular phase of moves. Savings generated from the project would support the ongoing costs associated with that investment. The additional service pressures associated with the Citrix licenses in the first two phases of the Workstyles programme of £60,000 has been included in the General Fund Revenue Budget and Council Tax 2014/15 report elsewhere on this agenda.
- 7.4 The General Fund Revenue Budget & Council Tax 2014/15 elsewhere on this agenda has included ongoing revenue support in total of £0.75m to meet the ICT pressures identified within this report.
- 7.5 Progress on the delivery of the strategy will be monitored through the Targeted Budget Management (TBM) process and will be reported through the TBM reports to Policy and Resources Committee.

*Finance Officer Consulted: Rob Allen*

*Date: 08/01/14*

Legal Implications:

- 7.6 The report is for noting only and comes to Policy and Resources in its role of formulating budget proposals for recommendation to full Council

*Lawyer Consulted:*

*Name Oliver Dixon*

*Date: 03/02/2014*

Equalities Implications:

- 7.7 Service and or customer service impacts will be addressed by relevant services where identified and an Equalities Impact Assessment (EIA) will be considered as appropriate.

Sustainability Implications:

- 7.8 These investments are enabling a work programme that supports a number of initiatives (such as mobile & flexible working and consolidated infrastructure) which in themselves support the wider corporate commitment to sustainability and the reduction of carbon emissions.
- 7.9 Introducing more modern ICT hardware will reduce the energy required by the council to run both its infrastructure and desktop hardware. A key outcome of the planned Data Centre work will be a reduction in carbon emissions.

Any Other Significant Implications:

Risk

- 7.10 It is noted that the above report includes mitigations affecting Strategic Risk Register Risk No 18 – Effective use of technology and Risk No 10 – Information Governance Management.

- 7.11 There are further risks to the delivery of ICT Strategy and ICT Investments through the complexity and inter-dependency of the investments and the pace at which they have to be delivered. These increase the likelihood of making mistakes and allow less contingency for unplanned consequences. These require mitigation through appropriate resource capacity and capability to keep oversight and governance of the complexity.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. ICT Strategy 2014 Update