EAST HERTS COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE – 10 JULY 2018

REPORT BY RICHARD PROTHEROE (STEVENAGE) and HELEN STANDEN (EAST HERTS)

SHARED IT SERVICE

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

To answer the following questions put by Overview and Scrutiny Committee, insofar as they relate to the Shared IT Service:

1. Are the shared services continuing to ensure consistent & beneficial outcome for East Herts residents?

2. Are the various shared services providing East Herts Council with an on-going financial benefit?

3. For existing shared services, have the financial benefits met?

RECOMMENDATIONS FOR OVERVIEW and SCRUTINY COMMITTEE: That:	
(A)	**The value for money assessment of the Shared IT Service is noted, and**
(B)	**Current proposals to help ensure continued value for money are supported.**

1.0 Background

1.1 East Herts and Stevenage Councils have operated shared IT Service (including Print and Design Services) since 2013, which has successfully delivered both revenue savings and service improvements to the benefit of both authorities.

1.2 The original business case for the shared IT Service was developed around three main objectives:

1. Deliver £416,000 of revenue savings in a full operating year, shared equally between both Councils
2. Strengthen resilience through a larger team
3. Increase capacity to support ongoing service development

1.3 The third of these objectives recognised that both Councils shared a requirement to invest in and improve their IT Service. Agreeing to do this in partnership provided an opportunity to achieve better value for money than undertaking these improvements independently.

1.4 Implementation involved the establishment of a primary service location in Stevenage, which included transfer of East Herts staff to Stevenage Borough Council and creation of a shared IT Infrastructure. The shared investment in IT Infrastructure represents the first example of both authorities being able to achieve better value for money by pooling resources and realising benefits from implementing a shared solution, as this investment was the catalyst for releasing the £400k identified in the original business case.

1.5 Since its creation the shared IT Service has delivered a shared network, data centres, corporate Wi-Fi, ICT Service Desk and desktop arrangements, consolidated a number of applications and delivered a range of projects from mobile working to customer payments.

1.6 The single service model has increased resilience for East Herts Council, with a larger team decreasing the reliance on
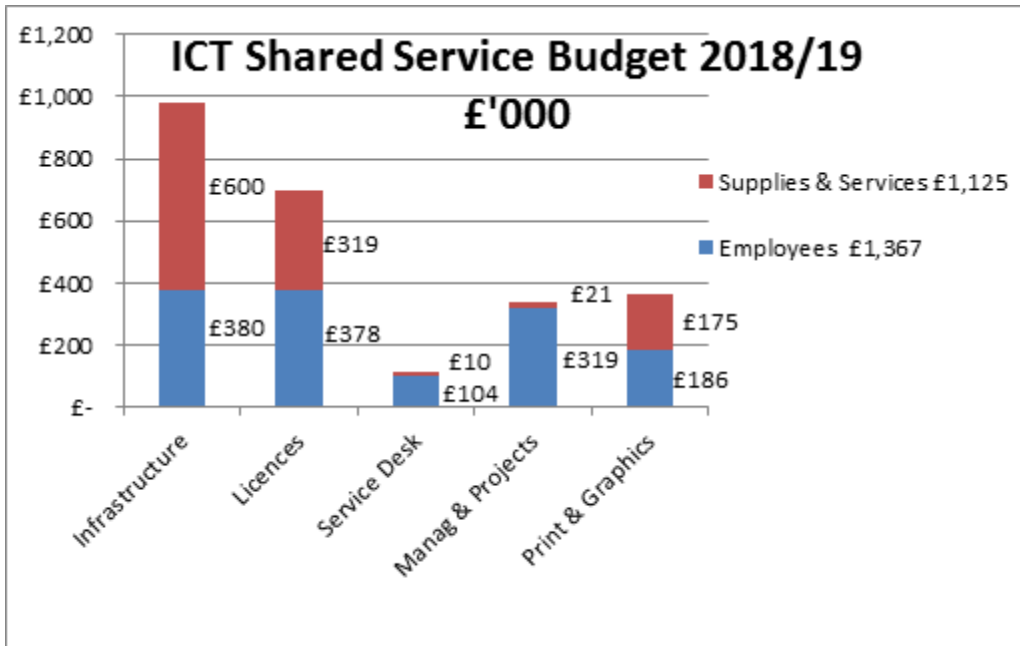
individuals being available in addition to the extra levels of technical redundancy that can be afforded through the collaboration. Sharing has also enabled greater economies of scale, for example through price breaks when procuring, which has improved the ability of the IT Service to meet the partners' requirements at a lower cost.

1.7   As outlined in the business case, the shared IT Service has been able to facilitate and realise opportunities to share business applications resulting in reduced costs. This has also created opportunities to drive wider improvement across the two authorities with the services using those applications coming together to share learning and practice.

1.8   The Shared IT Service is also continuing to provide an indirect beneficial outcome for East Herts residents. By keeping the cost of providing and developing the service at a level which is affordable, the Council in turn is able to keep down Council Tax increases.

2.0   Budget Overview

2.1   A commentary on the budget and expenditure of the shared service to date is set out below. The commentary includes evidence of achieving value for money, efficiencies gained and examples of expenditure being less than it would otherwise have been, had the shared service not been set up.

2.2   The shared budget for the Service has increased from £1,993 million in 2013/14 to £2.492m in 2018/19. This has been largely attributed to the purchase of new licences, transfers from retained budgets, salary and contract inflation. The current IT Improvement Plan also identified the need for additional revenue funding to deliver a range of security enhancements.

A breakdown of the total IT Partnership budget during 2018/19 can be seen in the following chart:

ICT Shared Service Budget 2018/19 £'000

Legend:
- Supplies & Services £1,125
- Employees £1,367

Values shown:
- Infrastructure: £600 / £380
- Licences: £319 / £378
- Service Desk: £10 / £104
- Manag & Projects: £21 / £319
- Print & Graphics: £175 / £186

2.3 Detail about the movements in the budgets associated to the shared IT Service since 2014/15 is available at **Essential Reference Paper B**.

2.4 The current capital programme is circa £900k per annum which is equally split across the two authorities.

2.5 On the basis of a joint baseline budget for the shared service, the Chief Financial Officers at both Councils in 2013/14 agreed to share costs and savings associated with that budget. At that time, a 50:50 apportionment was regarded as equitable for both costs and savings. During 2018/19 this has been adjusted to 48% for East Herts Council. The percentage change is as a result of the distribution of Microsoft Licences across the two authorities.

2.6 The cost ratio to be applied in future financial years is currently under joint review by the Council's Head of Strategic Finance and Property and the Assistant Director Finance at Stevenage Borough Council. The scope of that review includes recharging of overheads and future cost modelling.

2.7   The contribution to the Shared Service made by East Herts in
        2014/15 was £849,245 (not including overheads) compared to
        £887,510 during 2017/18. A 5 year overview of East Herts IT
        budgets and spend is available at **Essential Reference Paper C**.

3.0   Employee Costs

3.1   The shared IT Service currently employs 25.8 FTE, which is a
        reduction from the 35 FTE that were identified as being within
        scope at the point the Service was created in 2013. It was
        through this consolidation of service teams and management
        that a significant proportion of the circa 400k savings target was
        achieved.

3.2   Employee costs represented 55% of the overall Shared Service
        budget during 2018/19 (£1,367k) compared to 67% in 2013/14
        (£1,330k). Employee costs have remained fairly static despite
        annual salary increases of 1% per annum (2% 2018/19) and
        increased employer pension contribution (16.5% to 18.5%) that
        was brought in during 2017/18.

4.0   Supplies and Services

4.1   The shared supplies and services budgets have increased to
        £1.125m during 2018/19 compared with £492,000 during
        2014/15.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
IT Infrastructure & Applications (inc. contract and licensing costs)	320	488	606	776	950
Print & Design (inc. equipment hire, copy charges, print consumables and paper)	172	168	171	170	175
Total Shared	492	656	777	946	1,125

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
SBC Retained	504	456	398	408	408
EHC Retained	500	400	386	399	386
Total Retained	1,004	856	784	807	794

Total Combined	1,496	1,512	1,561	1,753	1919

4.2 Significant investment in supplies and services has taken place in the IT Shared Service since 2016/17 due to need to ensure licensing compliance, improved cyber security, the replacement of legacy systems and purchase of new business applications, and enhanced service governance.

4.3 The shared IT Service inherited a number of sub-optimal contractual agreements; this included an East Herts inter-site networking and telephony agreement that experienced performance problems resulting in service degradation and outages. This was an area of opportunity, as Stevenage also needed to modernise and improve their telephony arrangements. A new shared contract is now in place that has

resulted in greater resilience, performance improvements, and reduced costs.

4.4   Time has also been invested into ensuring compliance with software licensing agreements, addressing potential risks by clarifying terms with vendors and remediating any areas of concern. This has resulted in growth as expected.

4.5   Significant effort has been invested in modernising the business applications and systems used by East Herts. Where practicable this has been undertaken in partnership with Stevenage and has resulted in benefits for both Councils. A good example of this is the Idox Uniform system, which Stevenage were already using and East Herts identified as the preferred solution for Planning, Building Control, Environmental Health and Licensing. The contract negotiated by the shared IT Service enabled East Herts to benefit from Stevenage's existing licensing and ensuring both Councils benefit from shared usage rights in the longer term.

4.6   Other shared solutions, such as the HR and Payroll System and Intranet, have been procured together resulting in better value being achieved for both Councils. This means that both Councils' portfolio of business applications is beginning to be more closely aligned, which will reduce the number of different systems requiring support by the shared IT Service resulting in better resilience through a smaller staff group. The IT Partnership Board has recently undertaken to consider all application purchases jointly to ensure value for money, improved resilience and in time to reduce the number of systems supported by the Shared Service.

4.7   Over the last 12 months good progress has been made in improving IT resilience and security. This includes the installation of new equipment, including a back-up generator (at Daneshill which will prevent the loss of network capability such as the outage experienced over elections in 2017) and the procurement of a range of cyber security protection features.

4.8   The closure of the Hertford data centre and the relocation of the Print Service to Stevenage, has released office space (over and above that released following IT staff transfer to Stevenage) which has helped deliver the Council's accommodation strategy.

5.0   Print and Design Services

5.1   A review of the Shared Print and Design Service is currently underway and is identifying alternative service delivery models for both authorities consideration. This is expected to deliver further savings to both Councils.

6.0   Future IT Service Improvements

6.1   Technology is now a part of daily life, changing and transforming the way in which people interact with friends, family, services and businesses. In the public sector, this presents local authorities with opportunities to reshape services, drive efficiency savings and work differently.

6.2   Both East Herts and Stevenage councils have senior leadership capacity driving forward ambitious transformation agendas. Both councils are committed to embracing new digital opportunities to better meet the needs of residents, achieve savings, and transform the way our services are delivered.

6.3   A secure, resilient, effective and forward looking IT Service is critical to the success of both Stevenage and East Herts Councils in delivering these aims. Fundamentally, the shared IT Service is in place to support both Councils in delivering key services to residents and customers, to enable service transformation and make the most of new digital opportunities.

6.4   The resilience and availability of the shared IT services have been tested over the past two years. A summary of these incidents, the associated learning and remediation activity can be found at **Essential Reference Paper E**. The availability of core IT systems for January 2018 to March 2018 during

supported hours achieved 99.49%. This demonstrates the improved reliability that the IT Improvement plan has delivered and the commitment of the Partnership to providing a resilient and enabling IT Shared Service.

6.5   The IT Service is currently implementing the most significant improvement it has experienced since its creation. The scope of those improvements are captured within the IT Improvement Plan that was adopted in November 2017. The plan spans four key improvement themes and is being implemented across three phases, which are summarised below.

6.6   Due to the strategic importance of the IT service, Stevenage's Chief Executive, Scott Crudgington, is sponsoring the IT improvement programme and the implementation is supported through the engagement of a team of professional specialists working with the IT Management Team. A range of immediate corrective action has already been implemented to address the currently known risks.

6.7   Projects to improve both security and resilience have already been delivered as part of the first phase and the IT Service is now introducing new measures to deliver enhancements in how the service is managed and governed going forward. This will provide a sound foundation for the third phase to look at strategy and determine our future technology ambitions.

6.8 The production and implementation of the IT Improvement Plan provided a catalyst for the development and strengthening of officer relationships between East Herts and Stevenage. Securing a partnership of equals, with an open and flexible working relationship is essential for the future success of the shared service.

6.9 During 2017/18 two new Strategic Directors (Helen Standen and Tom Pike) were appointed to the Shared IT Service Partnership Board, bringing fresh views on how to set the future strategic direction of the service. The Board itself is included in a governance review which together with a new IT Steering Group, will streamline decision making. This governance arrangement will be supported by the newly created IT Programme Management Office (IT PMO) function, which will provide control and reporting on the entirety of the projects and 'business as usual' activities carried out by the IT service.

6.10 It is the intention that the Partnership Board will oversee the development and adoption of a single IT strategy for the next three to five years. This will set a clear direction for the service and provide a key reference point for clear and timely future funding decisions. The adoption of a single IT strategy will also be critical to the delivery of the Council's digital transformation ambitions, whilst a strategic agreement with Stevenage Borough Council on a joint IT platform, will enhance the customer experience.

6.11 The Assistant Director (Corporate Services and Transformation) currently responsible for the strategic leadership of the service has identified that projects and business as usual work was uncontrolled and this has a significant impact on the IT team's ability to maintain day to day services. In response an interim IT PMO and project management structure has now been introduced and a draft project/work change process drafted for review. All work underway has been reviewed and assigned into a project or programme and the most pressing activities have a project manager assigned. A dashboard for project

management has been produced and all projects now have a RAG status applied and is available at **Essential Reference Paper E.** The immediate result was felt with the recent Generator power down work that was successful due to the extra effort and process applied. A Technology review is also underway with an external partner to identify and agree improvements to the present infrastructure and create a technology strategy.

6.12   To address issues with business engagement and to understand future demand the PMO will work with each business area to develop a pipeline of projects using the engagement process and then help each business area to understand how to prioritise and budget. This pipeline of activity will be shared across all parties for consideration and approval.

6.13   An IT 'Roadmap' of all planned and known activities for up to 5 years is already in development for the IT Partnership. This will enable better planning and prioritisation of resources and will provide both councils with clear financial planning for investment into the IT Shared Service

6.14   The Assistant Director (Corporate Services and Transformation) and the IT Transformation Lead are also working with the IT team on driving forward service improvement using internationally recognised IT Service Management Standards. This includes undertaking service reviews and reaching agreement on improved processes. These will concentrate on improving incident and problem management which will enable better allocation of effort and resources to fix issues. It has been determined that many of the tools used by the IT Team are adequate but are able to be further utilised to provide better performance so it is expected that following good practice and new policies will improve the responsiveness of the service.

6.15 The formal Partnership Agreement has been extended to 31st March 2019, to enable a revised agreement for a further three to five years to be drawn up for approval by both councils. The new agreement will be drafted in response to a shared vision and business technology strategy. This will include Service Level Agreements and will address questions about the equity of funding arrangements between the two Councils, which have arisen over the years. The agreement will also give regard to the future accommodation strategies for both Councils. The intention is for the new agreement to be in place for the beginning of the next financial year.

6.16 An IT procurement manager has been engaged to manage the procurement of the various goods and services required through the IT Improvement Plan. This resource has allowed the IT Management Team to focus on the delivery of other aspects of the Plan, without the distraction of the administrative burden which accompanies procurement exercises.

6.17 In order to keep up with the ever changing environment in which IT exists, the structure of the shared service will be put under review once a key appointment is made to a new role of Shared Service Technology (Transformation) Manager.

6.18 It should be noted that had both councils continued to provide separate IT services, the annual costs would have risen year on year and it is unlikely that savings would have been realised. Technology has a significant cost. The importance of investment in our IT partnership is recognised by the Board. The emerging ICT Strategy and 'Roadmap' will inform the direction of travel over the coming years as well as provide a strong indication of the level of investment needed, the potential return on that investment through improved digital delivery, enabling us to forecast expected capital and revenue requirements.

6.19 Overall, whilst there may have been a period of time when the IT service was not adequately managed and supported, this has now been rectified and service and confidence has significantly

improved in recent months. Governance has been strengthened and the Partnership is maturing.

6.20 It is therefore considered that the Shared ICT Service will continue to provide value for money for both councils in the coming years.

7.0 Implications/Consultations

7.1   Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'.**

Background Papers - None

Contact Officer: Richard Protheroe – Assistant Director Corporate Services & Transformation (Stevenage Borough Council)
Contact Tel No 01438 242938
richard.protheroe@stevenage.gov.uk

Report Author: Richard Protheroe – Assistant Director Corporate Services & Transformation (Stevenage Borough Council)
Contact Tel No 01438 242938
richard.protheroe@stevenage.gov.uk