



CABINET

Subject Heading:

ICT Resources Review

Cabinet Member:

Cllr Barrett

SLT Lead:

Jane West

Report Author and contact details:

Priya Javeri

Policy context:

All policies

Financial summary:

Additional Revenue funding of £1.055m in 17/18 to be funded on a one-off basis from the oneSource Reserve.

The reason for the additional expenditure required is due to the requirement to support the council's critical systems CRM and Data Warehouse and security of the infrastructure.

Ongoing pressure of £0.930m in 18/19 will be fed into the 18/19 budget setting process to be considered for approval by Council in Feb 18.

Is this a Key Decision?

Yes

When should this matter be reviewed?

This will be reviewed in 12 months from the approval date.

Reviewing OSC:

Havering Overview and Scrutiny Board

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering
Opportunities making Havering
Connections making Havering

[x]
[x]
[x]
[x]

SUMMARY

1. Purpose of the report

1.1 In September 2016 the council carried out an external review of the ICT service to assess issues and highlighted areas of potential weakness. The report identified that investment was required to deliver pace and innovation, remove customer dissatisfaction and enable transformed customer operations. A report was presented to SLT and it was agreed that ICT should develop a Business Case for short/medium and long term resources to:

- “Catch up and keep pace” with ICT investment to avoid further risks of unsupported infrastructure.
- Invest in new “modern working”.
- Invest in resources to support the service delivery in delivering the council’s digital ambitions.

1.2 Further investigations into ICT budgets in November 2016 by ICT officers have confirmed that there is insufficient funding specifically to support the council’s key priority systems.

1.3 This new expenditure cannot be met within the 2017/18 approved ICT budget.

1.4 This includes the council’s Customer Relationship Management (CRM) and Data Ware House (DWH) systems. The DWH doesn’t currently have revenue funded support in place. The CRM have a single junior systems support analysts which is not sufficient to provide the level of support and skills that is required by the critical system.

1.5 There is also lack of project management and infrastructure resources to support and deliver urgent security projects and upgrades.

1.6 This report identifies investment required of £1.055m in 2017/18 and £0.930m in 2018/19 to support and improve key priority ICT systems and projects. This is required in order to maintain support and create a robust and secure infrastructure that facilitates innovation and transformation.

1.7 This report therefore sets out a request for an increase in the ICT budget that is required for the IT projects and systems for the current and next financial year.

2. Executive Summary of Outcomes

2.1 The increased budget is required to change the current support model for two critical systems; Data Warehouse /Business Intelligence (BI) and CRM. In addition this will cover resources required to maintain secure systems and security compliance.

2.2 The increased budget will enable the delivery of urgent works that presents risks to the council.

2.3 It will meet the funding need that is required to provide:

- An improved, stable and compliant infrastructure that supports the council's service delivery.
- improved customer experience through better provision of technology
- Improved user satisfaction through dedicated business partnering function
- Improved infrastructure through increase in resource capacity for managing infrastructure projects

RECOMMENDATIONS

3. Recommendations for the reasons set out in this report:

- 3.1 That the Cabinet is asked to agree to increase the 2017/18 ICT budget by a total of £1.055m; the increase to be funded from oneSource Reserve.
- 3.2 The Cabinet is asked to note the underlying budget pressure of £0.930m that exists in the ICT budget and that an increase in the base budget from 2018/19 will be put forward in the 2018/19 budget process to be considered for approval by Council in February 2018.

4. Reasons for the Recommendations

- 4.1 The current ICT budgets are insufficient to meet the expenditure required to maintain support for CRM and DWH which are critical systems and the increased requirements upon the Council to maintain and provide adequate security.
- 4.2 In addition, a review of the ICT service and its budgetary arrangements has identified that development expenditure on the Data Warehouse and CRM systems has been funded from one-off revenue and capital resources which is not available to fund ongoing support.
- 4.4 A revenue budget gap of £1.055m exists in 2017/18 and an ongoing pressure of £0.930m from 2018/19.

- 4.5 This report sets out the ICT request to ensure there is adequate revenue budget in place for permanent or fixed term resources rather than contracted resources.

REPORT DETAIL

5. Introduction and Background

- 5.1 A review of ICT services was carried out to assess issues with the ICT service. In summary, the report highlighted a number of issues: Investment in ICT was low and when spending was benchmarked against other London Boroughs the Council was found to be the second lowest in London.
- 5.2 Although the support from the ICT Service desk was satisfactory there was still a requirement for performance improvements. The customers were dissatisfied with the pace of ICT change and innovation. The lack of capacity in ICT to support business projects was a major concern, hampered by inconsistent governance and weak customer relationships.
- 5.3 It is quite clear that the critical systems support was covered with specialist contracted staff through the continuous development cycle. Whilst this can be a short term solution the systems need reliable long term support through more permanent structures.
- 5.4 The ICT service is embarking upon a Service Transformation to address the issues with its structure and to ensure that the service has a functional structure that is not just fit for purpose now, but is fit for purpose in the future.
- 5.5 In the meantime, there is an urgent need to create a more stable support structure for critical teams and address the demand for digital transformation within the council.
- 5.6 There is also an urgent need to invest to provide adequate level of security for our systems and infrastructure. This involves short term investment to buy resources such as staff and tools. This is critical for ongoing security of our systems.
- 5.7 The recent Cyber security and ransomware incidents in the NHS and public sector in general are clear indications of the need for the councils to secure systems and data.
- 5.8 In addition, there is an increasing level of fines which are being imposed by Information Commissioner Officer (ICO) on the councils for failure to protect resident's data.

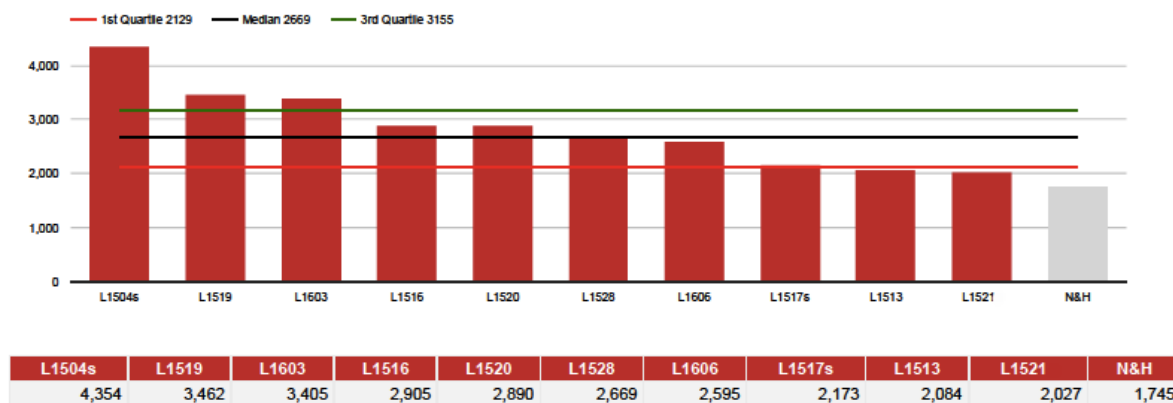
5.9 Society of ICT Managers in the Public Sector benchmark – ICT Spend per User

ICT revenue expenditure per user (£)

Utilises a simple headcount of customers of the ICT service and the total expenditure on ICT in the benchmarking period.

UK-wide results: 1st quartile = 1423, Median = 2308, 3rd Quartile = 3470

[Fig. 2-1066]



5.10 Key highlights from the SOCITM benchmarking exercise.

SOCITM carried out an in depth review of the ICT service. The detailed SOCITM report is attached as Appendix 4.

- At £1,745, OneSource has lowest revenue spend per user in London Boroughs data set.
- Clear indication of bottom quartile ICT spends.
- More detailed report provided. Other views show similar conclusion.
- 56 users per ICT FTE; second highest in London Boroughs data
- The ICT Department has a good handle on its technical requirements and upgrade challenges, but may lack the capacity to resolve them.
- Much of the existing capacity is absorbed in “running hard to stand still”.
- The existing architecture and future plans appear sensible and in keeping with peers, although behind the curve in many regards.

- Version upgrades are close to becoming out of support, creating operational and security issues. Plans are in hand to address these matters, but capacity to deliver against these plans is a concern.

6. Current Core Shared ICT Budget

- 6.1 The ICT budgets currently cover provision and maintenance of ICT infrastructure, systems, information governance & security and projects/programmes. Further details of estimated spend for 2017/18 are provided in Appendix 1
- 6.2 This funding request is to support two major critical systems; CRM and DWH in addition to security and projects. The breakdown of the functions including costs for 2017/18 and 2018/19 is detailed in Appendix 2.
- 6.3 It is to be recognised that the current application support team consists of 18 officers and provides support and maintenance for 900+ applications across the two councils. This team has more generic and shared responsibility for business systems across the two councils.
- 6.4 The CRM and DWH are the two applications which have evolved significantly over the past few years and require more specific skills to support these applications. Therefore, there is need to continue providing level of support that these systems need while reducing costs.
- 6.5 This report therefore proposes putting in fixed term contract resources to cover interim urgent need and in some cases replacing current day rate contracted resources by fixed term posts to reduce costs.
- 6.6 In addition, the council needs resources to improve current infrastructure security in light of recent NHS Cyber-attack and other ransomware incidents in the public sector.
- 6.7 The council also needs to prepare for the changes to data protection law which come into effect in May 2018. The General Data Protection Regulations (GDPR) which come into effect next year will have significant impact on the way we collect and share data internally within different systems.
- 6.8 The current core ICT budget is considerably low compared to other London councils as per benchmarking data verified by independent suppliers. This clearly has had an impact on the ICT's ability to manage growing demand on the current critical systems and the growing demand to modernise service delivery.

7 Risk Management

- 7.1 A risk log will be created by the project manager for each individual project and will be discussed at project board meetings and escalated to the IT Strategy Board as appropriate.
- 7.2 Current risks relating to lack of investment and the impact on compliance if the investment case is not approved are listed in Appendix 3.

8. Consultation

- 8.1 The consultation with public is not relevant to the ICT infrastructure projects for which the report seeks approval of the revenue investment.

REASONS AND OPTIONS

9. Reasons for the decision:

- 9.1 ICT service is currently struggling with its ability to support the council's critical systems and projects including secure infrastructure without significant revenue investment in its resources.
- 9.2 Until now, the funding for development of DWH and CRM has been found in capital budgets, which is not sustainable and acceptable for ongoing support.
- 9.3 It is also cost effective for the council to invest in fixed term posts rather than cover these roles through contracted resources.

10. Other options considered:

- 10.1 Do nothing – The CRM and DWH are in need of support and no funding is available for further development. Therefore, do nothing is not an option. For the security projects, the resources are critical to ensure we maintain the infrastructure security. In light of recent cyber security incidents, this is not an option. Keeping the as-is status this would prevent Havering from achieving its ambitious digital vision due to the lack of core infrastructure to build the Havering council of the future.

10.2 Build a business case and deploy resources – to avoid security related risks and better use of resources for the support of the critical systems, it is essential that resources are made available.

10.3 Use Capital funding – The CRM and DWH systems are now in ‘business as usual’ (BAU) phase; therefore, the use of capital funding is no longer appropriate. The security and other projects also need ongoing support therefore allocation of capital funding is not an option.

IMPLICATIONS AND RISKS

11. Financial implications and risks:

11.1 Costs/Funding

In order to support core ICT systems and provide the level of service identified in this report ICT is requesting a one off increase in its revenue budget for 2017/18 of £1.055m and has identified that it will need £0.930m on an ongoing basis from 2018/19.

Ongoing funding

17/18 Budgetary pressures

Details	£m
Estimated spend on Core Delivery	4.680
<i>Plus additional spend highlighted in this report (appendix 2)</i>	
- Data Warehouse	0.160
- CRM	0.240
- Security	0.135
- ICT Resource (business partner & infrastructure)	0.250
- Increased costs of One Oracle Hosting	0.020
Total additional Items	0.805
Total estimated spend for 17/18	5.485
Revised budget	4.430
Budget shortfall	1.055
one off expenditure in 17/18	0.295
Ongoing expenditure pressure	0.760
Total	1.055

The above is split between ongoing pressure of £0.760m and one off of £0.295m.

It is recommended that the increase in budget in 2017/18 of £1.055m is funded through a transfer from the oneSource Reserve which has a current balance of £1.055m and as such will be utilised in full.

Whilst the entire oneSource reserve will be utilised, oneSource can only access these funds with the approval of Havering's section 151 Officer and as such will be expected to continue to manage within the overall oneSource approved budget. Any pressures which cannot be contained will be shared with the partner Councils in line with the Funding Agreement and will then be managed within the overall budgetary envelopes of those Councils.

Within Havering, this would be via an application via the s151 Officer to Corporate funds held for the purposes of managing financial risk, such as the Corporate Risk Budget and/or the Business Risk Reserve. Should Havering receive an underspend from the oneSource shared budgets they will be used to replenish the oneSource Reserve. However, it is unlikely that the oneSource Reserve will reach its current level in the foreseeable future.

18/19 Budgetary pressures

Details	£m
Estimated spend on Core Delivery	4.620
<i>Plus additional spend highlighted in this report (appendix 1)</i>	
- Data Warehouse	0.160
- CRM	0.130
- Security	0.050
- ICT Resource (business partner & infrastructure)	0.150
- Increased costs of One Oracle Hosting	0.020
- Exec View	0.020
Total additional expenditure	0.530
Total estimated expenditure for 18/19	5.150
Revised budget requirement	4.220
Funding shortfall/ budget growth required	0.930
one off expenditure in 18/19	0
ongoing	0.930
Total	0.930

An underlying budget pressure of £0.930m exists in the ICT budget and a bid for an increase in the base budget from 2018/19 will be put forward in the 2018/19 budget setting process to be considered for approval by Council in February 2018.

Financial Risks

ICT costs will still be subject to the same level of risk as other services linked to issues such as staff recruitment, sickness, price increases.

Procurement exercises have yet to be undertaken for a number of areas as such there is a risk that costs may increase and/or cost reductions be achieved. Steps will be taken to manage these risks as part of normal budget management and monitoring processes.

There is a further risk that that rapid changes of ICT and transformation of the Council may mean that plans may need to be revised to meet business requirements. Whilst the Director of ICT does not foresee a requirement for further increases in the medium term, they cannot be ruled out completely. Any further increase in ongoing budget requirements for ICT will be reported for consideration by Cabinet at the appropriate time.

12. Risks

There is additional pressure on ICT to deliver new projects which are yet to be defined by service areas. This will require reassessment and reprioritisation of resources and potential one off funding bids by those services for project resources from the Transformation Reserve

13. Legal implications and risks:

The Council has power under the Localism Act 2011 to purchase equipment software and resources for its IT systems.

If the systems are insecure and there is leakage of personal data, the Council risks being fined by the Information Commissioner under the Data Protection Act 1998.

14. Human Resources implications and risks:

A significant proportion of the investment required to deliver the improvements to the Councils ICT infrastructure (as detailed in this report) will be utilised on additional staff resources. A staff resource plan is being developed and the staff resources are likely to be a mix of short term specialist interim support in the form of agency workers and/or consultants and longer fixed term contracts with staff employed directly by the Council. Where possible and appropriate the

additional roles will be made available to existing employees to apply for. The Councils standard recruitment and selection processes will apply.

15. Equalities implications and risks:

N/A

16. Procurement Comments

No specific comments however any procurement activity related to this report will be conducted alongside strategic Procurement to ensure adherence to the appropriate procurement guidelines.

BACKGROUND PAPERS

Appendix1: ICT 2017/18 estimated spend.

Appendix 2: Detailed revenue bid.

Appendix 3: Risks and benefits.

Appendix 4: External service review report.