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Objectives

Socitm Proposal 3432 to OneSource - Independent Review of ICT - June 2016

Review:

- Performance
- Roadmap & Strategies
- Structures & Operation
- Spend
- Customer voice interviews

Deliver – Phase 1:

- Review of above scope
- Slimline benchmark report
- Future Operating Model recommendations

Phase 2:

- ICT Strategy
- Service Level Agreements

Executive summary

OneSource's ICT department has:

- Lowest spend on the benchmark
- Reactive service desk support largely satisfactory
- Customer dissatisfaction mostly with the pace of ICT changes and innovation
- Capacity is root cause
  - (Not organisation structure, technical capability or strategic vision)
  - Inconsistent governance
  - Weak customer relationships

- Recommended actions:

- New commissioning operating model
- Customer relationship changes
- Investment catch-up

Findings 1) Customer voice
Source interviews

Socitm has conducted interviews with the following ICT customer teams and individuals:

- Havering Neighbourhoods Management Team (NMT)
- Newham Commissioning (Community & Environment and Community Infrastructure) team
- Newham 2020 (Commissioning and Activity Analysis)
- Newham Community Neighbourhoods
- Newham Adult Social Care
- Newham Children's Service
- Havering Adults & Children's Services & Housing
- Newham Director of Finance
- OneSource Human Resources & Organisational Development

Key themes follow - Meeting notes available separately

Customer voice – Seven key themes

1. Capacity

   All respondents were quick to say they think that ICT does not have the capacity to meet their business needs for change. Most said that there are many good people in ICT, that the management is strong, but that technical delivery capacity is too thin.

2. Pace

   The speed of delivering change is a common complaint. Both getting a project onto the starting blocks, and delivering it once it has started, takes too long.

3. Innovation

   Customers find that ICT are not very proactive in taking relevant new innovations to them.

Customer voice – Seven key themes

4. Relationship, communications and knowing the customer's business

   ICT does not have a good close relationship with any of the departments interviewed. While there is high regard for some of the ICT staff, customers do not feel that ICT understands their requirements well.

   The absence of a clearly communicated (and collaboratively developed) ICT or Digital strategy was a common theme.

5. Governance and prioritisation

   The process for prioritisation of new projects is perceived to be inconsistent at best.

Customer voice – Seven key themes

6. Investment Business cases

   When a department creates a compelling business case to deliver better customer outcomes or business efficiencies – they often are prepared to invest their own budget in the ICT required to deliver the outcome. There is no method to fast track these potential additional ICT funds to create the capacity required to deliver the change.

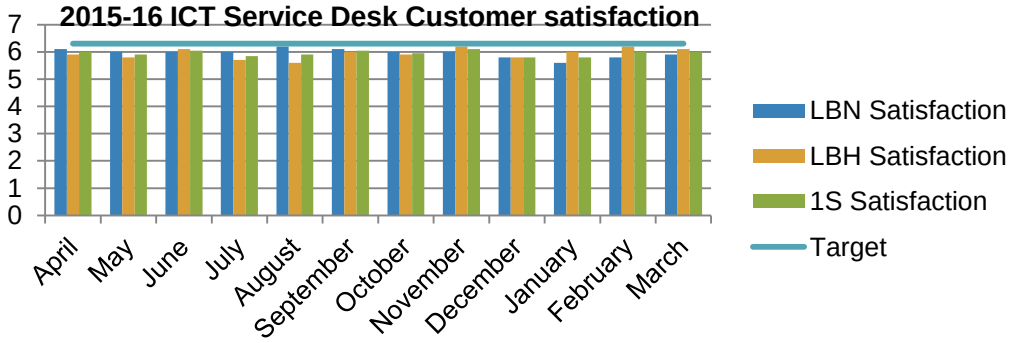
7. Fear for future business change needs

   Customers know that their futures will see increasing demand for change. They fear that the ICT department, as it is currently geared, will not be able to deliver to that demand.

   They believe that ICT investments will often hold the key to process efficiency improvements. They also are increasingly ICT aware and understand the new opportunities and innovations that the market can and will offer.

Customer satisfaction
survey, measures & interviews

- The previous OneSource customer satisfaction survey shows ICT scores dropping. These interview themes explain why – and that this will continue to be the case unless corrective action is taken.
- ICT Sample customer satisfaction at service desk show performance close to target.
- Customers are relatively satisfied with the reactive support service
- Dissatisfaction centres largely on the pace of change and innovative services.



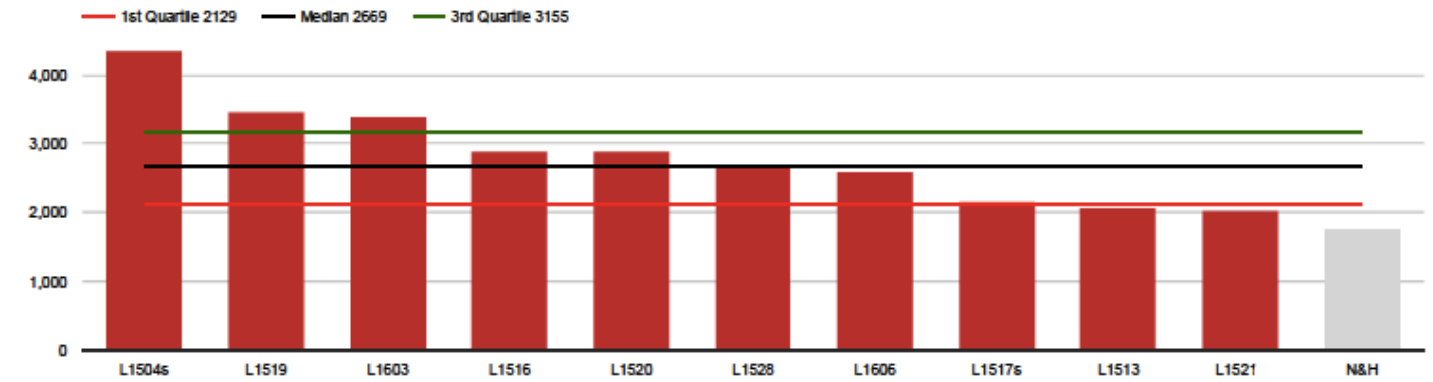
Findings: 2) Benchmark - ICT Spend per user

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.

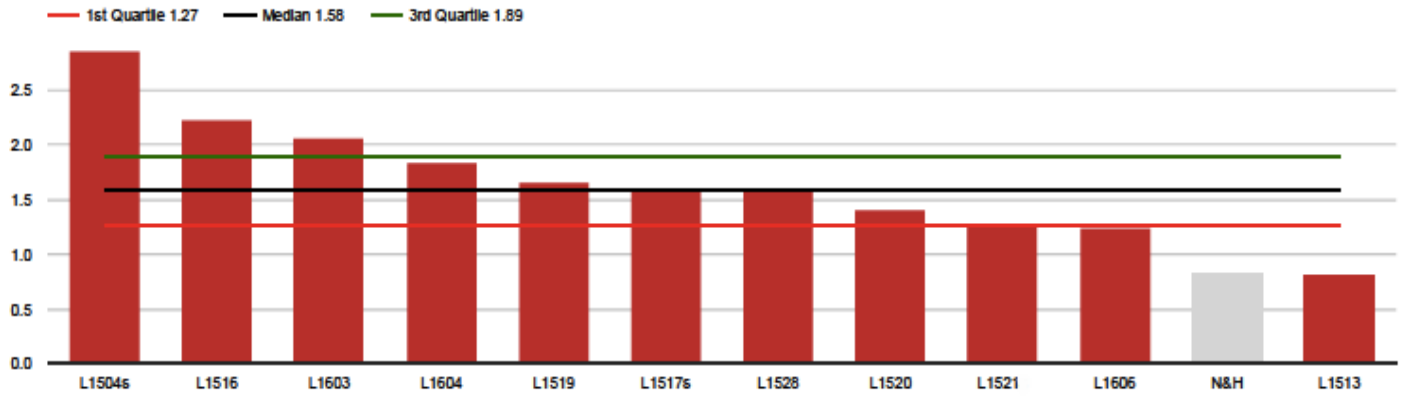
UK-wide results: 1st quartile = 1423, Median = 2308, 3rd Quartile = 3470

[Fig. 2-1066]



L1504s	L1519	L1603	L1516	L1520	L1528	L1606	L1517s	L1513	L1521	N&H
4,354	3,462	3,405	2,905	2,890	2,669	2,595	2,173	2,084	2,027	1,745

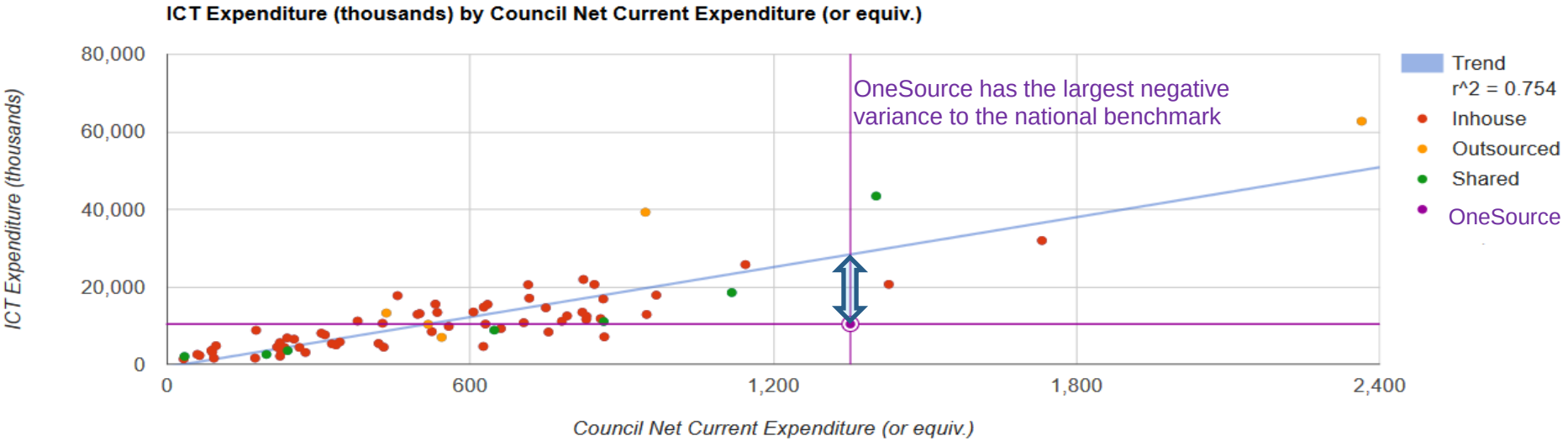
Benchmark – percent of expenditure on ICT



L1504s	L1516	L1603	L1604	L1519	L1517s	L1528	L1520	L1521	L1606	N&H	L1513
2.853	2.225	2.059	1.838	1.651	1.583	1.58	1.398	1.283	1.244	0.843	0.828

The combined % total expenditure spent on ICT is the 2nd lowest in this sample of London Boroughs.

National benchmark comparison



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Benchmark notes

- Like for like comparisons complex, therefore benchmarking indicative.
- OneSource has lowest revenue spend per user in London Boroughs data set.
- Clear indication of bottom quartile ICT spend.
- More detailed report provided. Other views show similar conclusion.
    - 56 users per ICT FTE; second highest in London Boroughs data set

Benchmark recovery budget

To move ICT investment at OneSource to benchmark levels would require the following investment:

Benchmark: Percent of total expenditure spent on ICT	**%**	**ICT spend £m**	**Budget increase £m**
Leave lowest quartile	1.27	17.18	6.78
Median	1.58	21.37	10.97
Arrive top quartile	1.89	25.56	15.16

OneSource currently at 0.843%

Benchmark: ICT spend per user	**£ / user**	**ICT Spend £m**	**Budget increase £m**
Leave lowest quartile	2,129	13.91	3.51
Median	2,669	17.44	7.04
Arrive top quartile	3,155	20.61	£10.21

OneSource currently at £1,745 per user

Findings 3) ICT and digital strategy

Socitm have been provided with a draft (version 0.3, march 2016) ICT strategy.

It also references the service plan and the programme plans.

No Digital Strategy – (but Digital Principles).

Shared with some members but not widely communicated. The development of the strategy has apparently not been in conjunction with customers.

Customers concerned over not having either an ICT or Digital Strategy (particularly as OneSource appears to win awards for digital strategy).

The ICT strategy covers sensible technical territory, but would no meet concerns about future ICT requirements for change.

The existing ICT strategy covers:

- Online self service
- Business Intelligence
- Corporate systems
- Line of business systems
- End user devices
- Networks and telephony
- Data Centre, hosting and cloud
- Social Inclusion

It lacks business strategy alignment and customer voice.

Findings 4) Organisation structure

The ICT Department organisation structure is a sound, traditional structure.

But it is lacking in:

- Customer relationship managers (Business Partners)
- Business Analysts
- Data analysts
- Technical digital change capacity

Socitm recommends (and Interim ICT Director has already started) to:

- Rationalise service desk teams
- Combine applications support and development

Findings 5) Technical

- 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.

Findings 6) Governance

- ICT Governance and prioritisation is inconsistent within and across the OneSource authorities
- This erodes confidence in the ICT function's relevance
- Senior stakeholder attendance at ICT governance boards remains a challenge

Findings 7) Shadow IT

- Every organisation has some ICT staff embedded in the business units. This is sometimes known as “shadow IT”.

In Newham:

- The activity analysis carried out by PWC shows some 40 FTEs absorbed in ICT services, outside of the ICT department.
- This would be a very high shadow ICT ratio, but it is understood that much of this relates to business planning functions that could not be transferred to ICT.
- Further investigation would be insightful, but it is expected that as ICT capacity issues are resolved, shadow ICT would decrease.

Findings 8) Savings

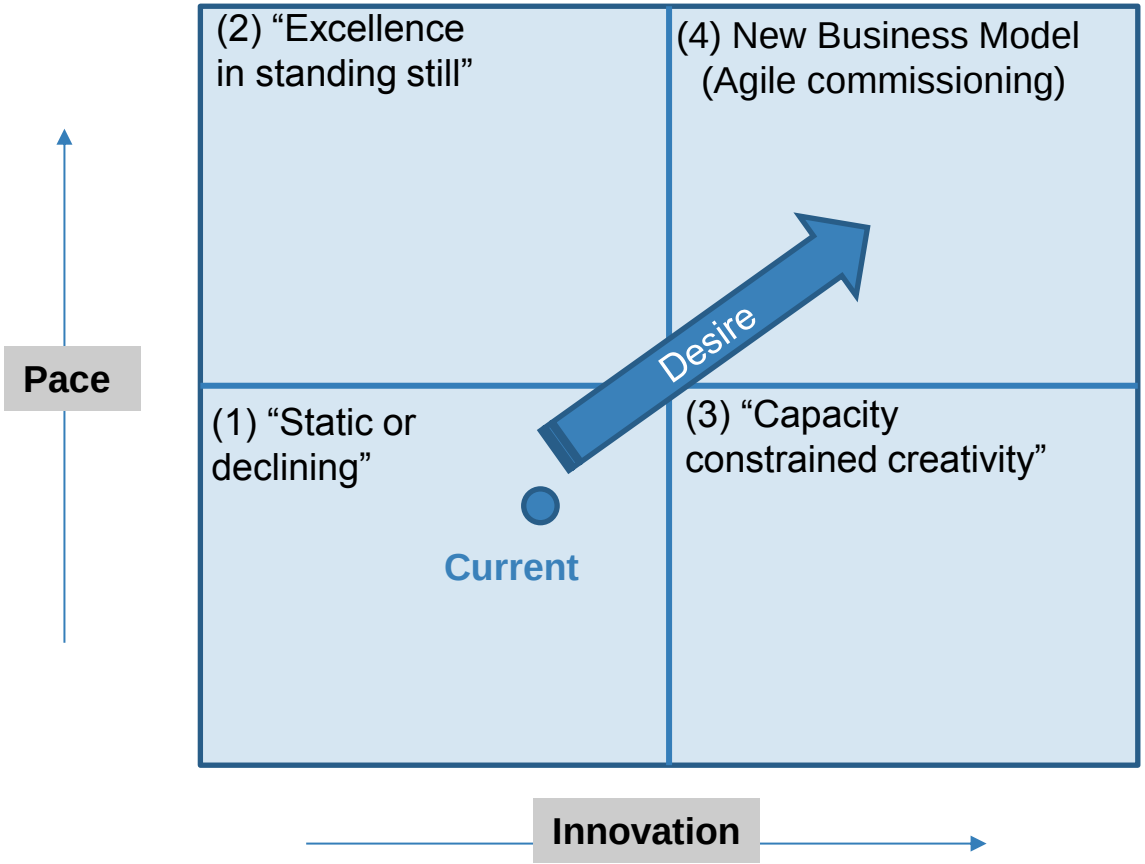
- A fact of modern public service – ICT must deliver cost reductions, like all departments across the authorities.
- ICT has done well to achieve savings targets.
- This has impacted ICT's delivery capability and customer satisfaction.
- Business wants to invest in technology to achieve efficiency and service improvement outcomes.
- Ongoing ICT growth pressure from customers to deliver efficiencies. This causes customers concerns that ICT savings are counter productive.

In a nutshell: Supply and demand

Demand has outstripped supply

- Customers want more and better digital & ICT, to deliver their efficiencies.
- Customers will pay – but ICT not geared to deliver at pace.
- Customers ready to go elsewhere.
- Particularly as Newham Small Businesses are established, demand is set to grow.
- Customers want pace and innovation.

Pace & Innovation



Solution options

To address the fundamental customer problem of pace and innovation, the following capacity options are available:

1. Invest in more capacity – ie recruit more staff
2. Outsource
3. Multi-source commissioning (SIAM, or “Service Integration and Management”)
4. Allow uncoordinated external resource procurement
5. Do nothing

Capacity solution 1 - recruit

Description

The authorities could choose to provision more budget for ICT, and recruit more people to OneSource to deliver ICT services. These would be business partner, business analysis and technical staff and potentially ICT Commissioners in the business.

Advantages

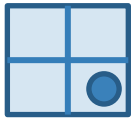
- Creates more headroom for innovation
- Better customer understanding and focus with business partner and/or commissioner recruits

Disadvantages

- There would always be people tied up with projects when a new priority surfaces.
- New staff would risk being mopped up into upgrade work, not delivering new digital projects.
- The solution would still not be able to flex capacity with peaks and troughs of demand.
- Works against savings targets for ICT
- New SME businesses potentially loose out in the prioritisation of the capacity capped resource.

Quadrant outcome

Moves towards quadrant 3 – depending on how many staff are recruited.



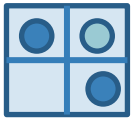
Capacity solution 2 - Outsource

Description
OneSource could outsource ICT service provision and buy back a core operational service contract, with projects procured on demand.

Advantages
- Gives access to more capacity
- Potential for more transparent governance

Disadvantages
- Unlikely to be politically acceptable
- Experience with single supplier outsource contracts is that they suffer from many of the same issues, with an additional layer of management overhead and profit margin.
- Innovation tends to be from the outsource provider's approved list.

Quadrant outcome
Depends on supplier. Many exist in quadrants 2 and 3. Some emerging in 4



Capacity solution 3 – multi-source commissioning (SIAM)

Description

OneSource could let contracts with niche ICT development suppliers, skilled in key areas. Then, when a department funds a business case, co-produce the solution (and the requirements definition).

This multi-sourcing commissioning approach has recently been referred to as SIAM (Service Integration and Management). Pace and priority are driven by business case and committed budget.

Advantages

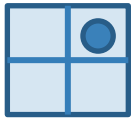
- Ease of obtaining additional resources "on tap".
- Increased adaptability and speed of response to business requirements.
- Widening the portfolio of services and skills available to the organisation for innovation

Disadvantages

- Supplier management overhead
- Holistic enterprise architecture / supportability risks

Quadrant outcome

The purpose of SIAM is to move to Quadrant 4



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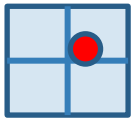
Capacity solution 4 – Uncoordinated external suppliers

Description
The Authorities and SMEs could be given the freedom to procure their ICT development projects from any supplier they like.

Advantages
- Enables pace and innovation to be completely within the gift of the customer department.

Disadvantages
- Duplicate procurements
- Inconsistent technical architecture
- Escalating support costs

Quadrant outcome
- Recommended against.
- This is superficially appealing, as it does move the authorities to both Pace & Innovation.
- But it creates unsustainable support and integration issues.



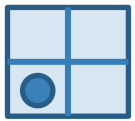
Capacity solution 5 - Do nothing

Description
OneSource could continue with its existing operating model.

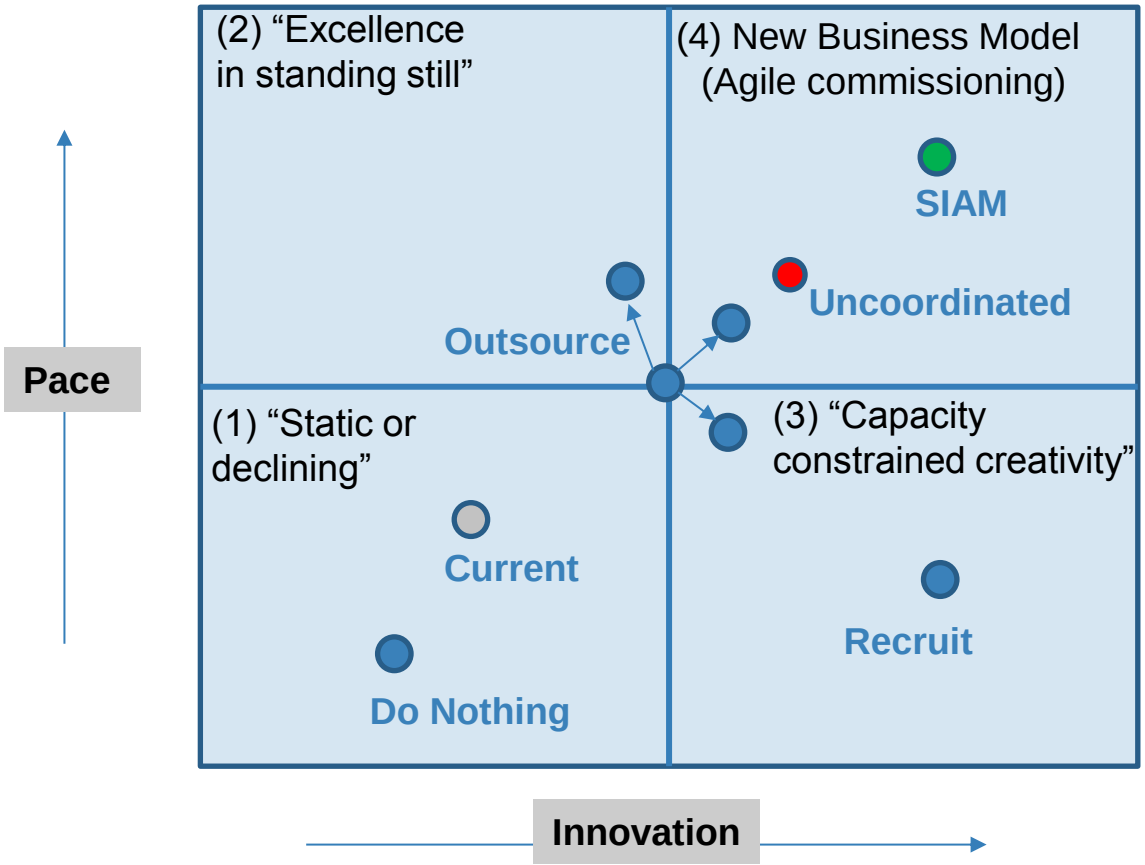
Advantages
- No management of change required

Disadvantages
- Ongoing and escalating customer dissatisfaction
- Likely to cause customers to procure at will

Quadrant outcome
- Remains in quadrant 1



Solutions map
- Pace & innovation



SOCITM Advisory recommend:

1. Adopt SIAM operating model.
2. Create governance for commissioning delivery partners.
3. Recruit relationship managers to work with business, ICT and delivery partners.

SIAM options

There are many ways of delivering SIAM (“Service Integration and Management”), which is effectively an ICT commissioning model.

> “The main goal of SIAM is to coordinate internal and external suppliers and their services in a cost-effective way to achieve the end-to-end service levels needed to support the goals of the business functions. SIAM is a layer between the suppliers and the IT functions that supports and enables the integration of the services offered by multiple (internal and external) service providers.” - IT Service Management Forum (itSMF)

The SIAM layer itself can be outsourced, but in this case it seems likely that OneSource, with customer engagement, would deliver the SIAM layer. It would call on internal ICT capacity, or partner resources as appropriate.

Opportunities for customer commissioning of ICT also exist elsewhere in the proposed governance model.

Roles and functions in the SIAM layer

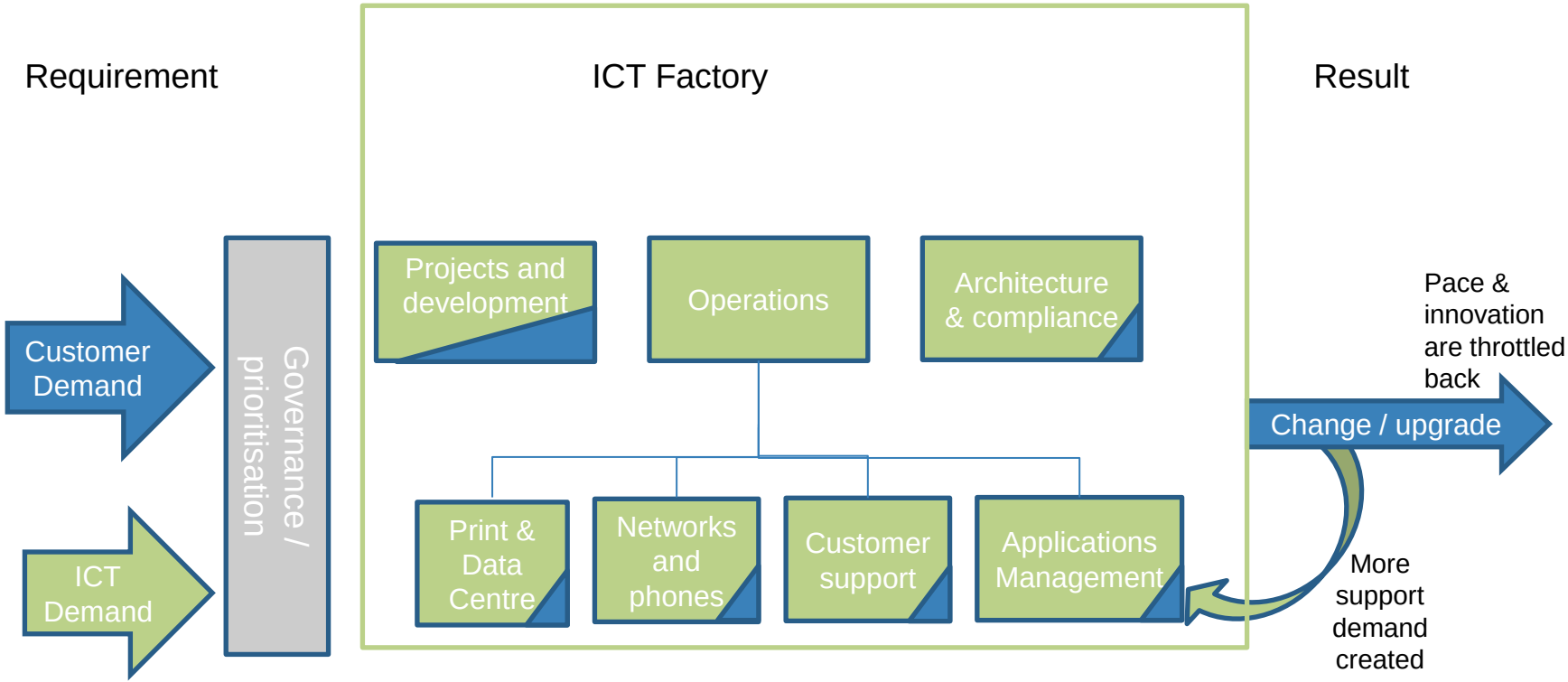
Commercial
- Procurement
- Auditing
- Invoicing
- Contract Management
- Governance, Risk, and Control

Managerial
- Service Level Management Reporting
- Continual Service Improvement
- Program and Project Management
- Budget Management
- Vendor Performance and Analytics
- Service Catalogue

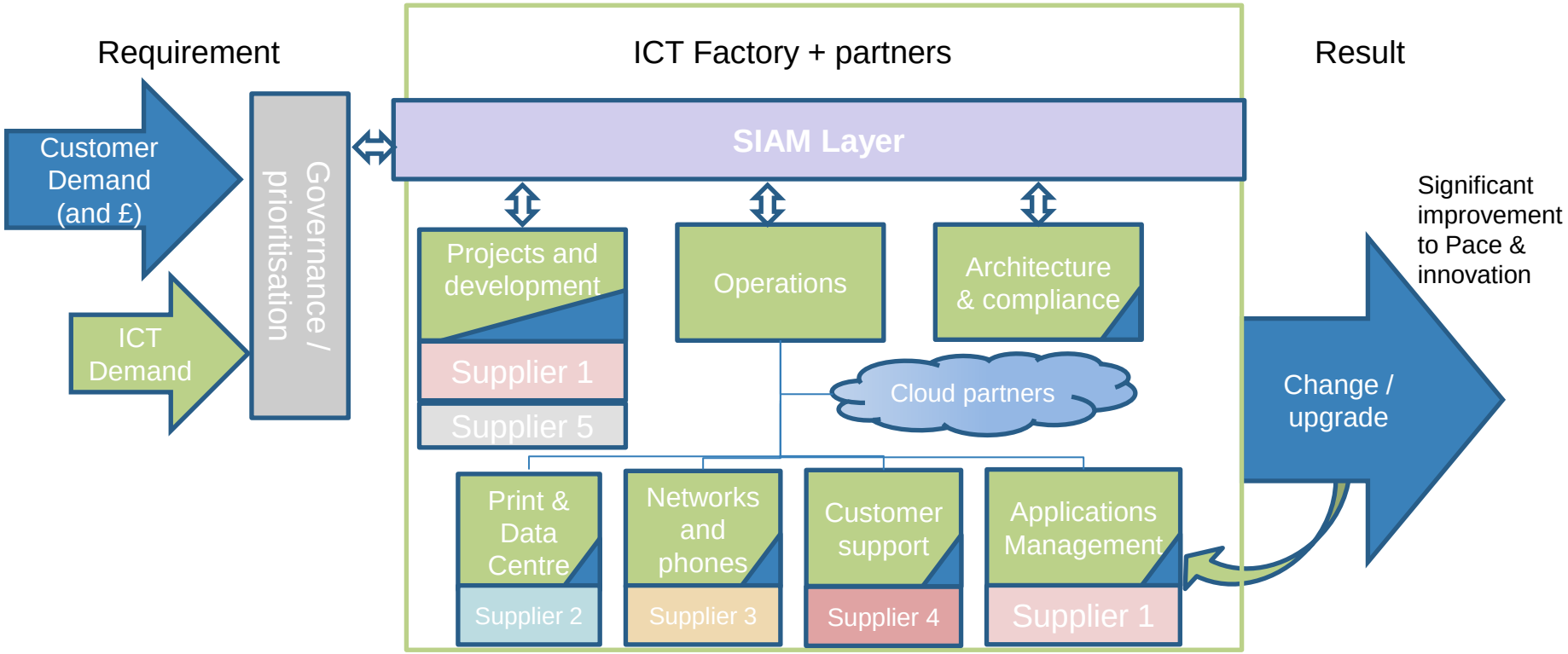
Operational
- Operations Bridge
- Change Advisory Board
- Major Incident Coordination
- Problem Management Oversight
- Release and Deployment Management
- Request Fulfilment

Infrastructure
- Service Asset and Configuration Management
- Service Management Tool Application Maintenance
- Automation and Platform Management

OneSource: “As Is” - pre-SIAM model



OneSource: “To be” - SIAM model



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The road to SIAM

OneSource could move to SIAM model in three main ways:

1) Big bang
- Establish SIAM layer, Identify the supply gaps, procure partners, deliver

2) Case by case
- Work with funded business cases with capacity constraints on a case by case basis

3) Vision and evolve
- Set out a strategic vision for the supplier relationships and SIAM personnel. Then work on a case by case basis to get there.

Recommendation
- “Big bang” will take the longest to get started.
- “Case by case” is quick to get going, but risks architectural cul-de-sacs
- “Vision and evolve” is a good compromise and recommended. “Think big, start small”

Classic governance model

CMT

- Sets corporate Strategy & direction
- Oversees Business Transformation

Transformation Board

- Organises the delivery of Business Transformation

ICT Strategy & Commissioning Board

- Decides how technology and resources can be best deployed to deliver the corporate aims
- Prioritises ICT investment against corporate business objectives

ICT Programme Board

- Organises the delivery of technology change

ICT Operations Board

- Ensures a reliable ICT service is delivered

ICT Design Authority Group

- Technical Advisor to the Strategy & Commissioning Board

Other Advisory Groups (eg Security)

- Commissioned by ISCB* to suit their needs

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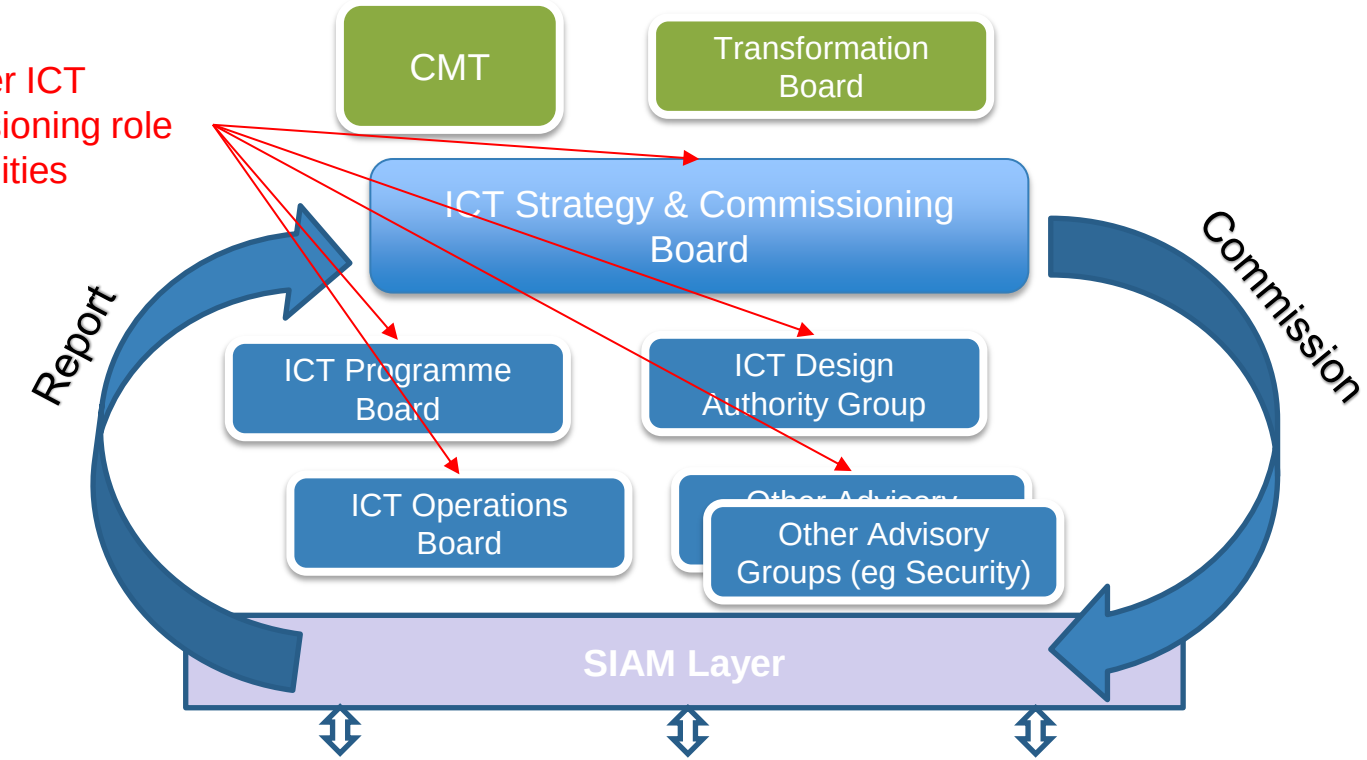
SIAM commissioning governance model

Customer ICT commissioning role opportunities



Relationship solutions

- Appointing Customer Relationship Managers for ICT is necessary.
- But alone, this measure would not solve the customer satisfaction issues (or enable the authorities' transformation objectives).
    - Without access to suitable change capacity, Relationship Managers risk simply stoking demand that cannot be met. This would drive down customer satisfaction still further.
- SIAM is a commissioning model. It recognises that:
    - The ICT Department can't do everything and needs external partners.
    - External partners must operate to the architecture, policies and long term interests of the enterprise.
- With a SIAM operating model, the ICT relationship managers would be part of the supplier selection and management process, working with customer stakeholders. They become ICT's "commissioning partners".

Structure & location options

	A) Commissioning Partners located in ICT	**B) ICT Commissioners** located in the Authority	**C) Both** (Commissioning Partners and Commissioners)
	ICT business partners for main departments and for SMEs. Attends CMTs etc.	*One Commissioner per authority sets out customer strategy and commissions ICT.*	*Combination of (A) and (B).*
Advantages +	• ICT creates strong customer relationship. • ICT Strategy well informed by customer understanding. • Retains ICT "enterprise" architecture view for information sharing.	• Customers feels in control. • Customer can source ICT solutions from outside of OneSource ICT service (short term perceived "customer" advantage, but long term damaging to enterprise). • One commissioner is cheapest model.	• Good dialogue. • Obvious business representative at ICT Boards. • Balance of customer voice and architectural requirements.
Disadvantages -	• Customers desire more freedom in investment decisions (mitigated by SIAM governance). • Risk that customers feel lack of control (mitigated by good customer relationships).	• Impoverishes ICT's business understanding. • Risks systems procurements outside of technical strategy, escalating support costs. • SME requirements not represented. • Hard for one Commissioner to represent whole council's detailed business needs. • Shared service synergies harder to spot.	• Costs more. • Risk of duplication of effort.
Verdict	• Necessary	• Would not solve problems, without Option (A), as well.	• Expensive

Commissioners or business partners - Socitm recommendation

- SIAM is a commissioning model. Having ICT commissioners in the authority would be to have “commissioners of commissioners”.
- Employing multiple ICT Commissioners for each of the departments would exacerbate the capacity issue for ICT – to be able to engage with the commissioners meaningfully.
- To avoid escalating support costs – and to facilitate better asset and information sharing opportunities – Socitm advises against Option B (the Commissioner only model).
- Option C would create considerable duplication and appears wasteful.
- Option A (ICT Commissioning Partners) is recommended.
- The Commissioning Partners should be recruited by a panel that includes representatives from the business.

Summary recommendations

To deliver pace and innovation, remove customer dissatisfaction and enable transformed customer operations:

1. Move to SIAM commissioning model and supplement internal capacity with suppliers.
   - Improve pace and innovation

2. Appoint ICT Commissioning Partners.
   - Ensure business requirements are understood and (where funded) met.
   - Take innovation ideas to the business.
   - Ensure suppliers work with enterprise architecture requirements.

3. Strengthen ICT Governance within SIAM model.

4. Agree a business case for “catch up and keep pace” ICT investment
   - People, licences and equipment

5. Agree business cases for new “modern working” investments.

Next steps

1. Agree problem statement

2. Agree solution recommendations

3. Stage 2
   - Develop and agree SIAM commissioning strategy and vision
   - Develop SLAs for SIAM model (pace and innovations)
   - Jointly progress ICT & Digital strategies

4. Provision budget for and recruit ICT Business Partners
5. Identify business cases and budgets
6. Provision infrastructure catch-up budget
7. Identify suppliers to meet requirements