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| **To:** | Corporate Policy Overview and Scrutiny Committee |
| **Subject:** | Overview of Systems Investment |
| **Classification:** | Unrestricted |

**Summary.** This paper provides an overview of the annual £31.4 million investment in technology made by the council each year, for review and comment.

## 1. Introduction

Annual ICT investment comprises:

| 2011/12 Budget | Amount £M |
|---|---|
| ICT Division Revenue Budget | **19.7** |
| Directorate Revenue – Systems | **5.8** |
| Directorate Revenue - Projects | **2.1** |
| ICT Asset Maintenance | **3.8** |
| **Total Annual Revenue** | **31.4** |
| Capital - ICT Infrastructure Project (2009 -2012) | **10.1** |

### 1.1 Corporate Revenue £19.7M

This is the revenue budget of the ICT function for 2011/12 and comprises of staffing and contract costs. The budget provides the core infrastructure and support for ICT activity across the council:

ICT Activity:

| Function | 2010/11 |
|---|---|
| | |
| Devices | 21,823 |
| External Email | 98,588,303 |
| Email Accounts | 17,818 |
| Service Requests | 24,551 |
| Support Requests | 95,199 |

| Device Type | 2010/11 |
|---|---|
| | |
| Desktops | 6,124 |
| ,Laptops | 5,068 |
| Public Access PCs | 620 |
| Remote Access Devices/Solutions | 7,951 |
| Printers | 2,297 |

| | |
|---|---|
| **Other Activities** | |
| Parish Councils using KCC provided web site & e-mail | 258 |
| Broadband "not spots" provided with solutions | 22 |
| | |
| **Applications and Services** | |
| Sites Supported (Excluding 750 Schools) | 431 |
| Applications supported | 208 |
| Number of servers maintained and supported | 364 |
| Number of spam e-mails and viruses stopped at the Firewalls | 1,068,980 |
| Number of emails stopped by content filter | 65,824,604 |
| Data stored in gigabytes (e-mails, file storage & data bases) | 71,680 |
| | |
| **ISG Facts** | |
| Number of staff (FTE) | 346 |
| Revenue budget as a percentage of KCC revenue budget | 1.37% |

## 1.2 Directorate revenue - systems £5.8M

Directorate expenditure from analysis of subjective codes related to ICT costs over the past two years. This comprises external system contract costs, hardware rental, hosting, third party consultancy and support for line of business systems (LOB), mobile and remote access devices and charges. The management of this expenditure is being reviewed as part of the 'Change to Keep Succeeding Programme.

## 1.3 Directorate revenue - projects £2.1M

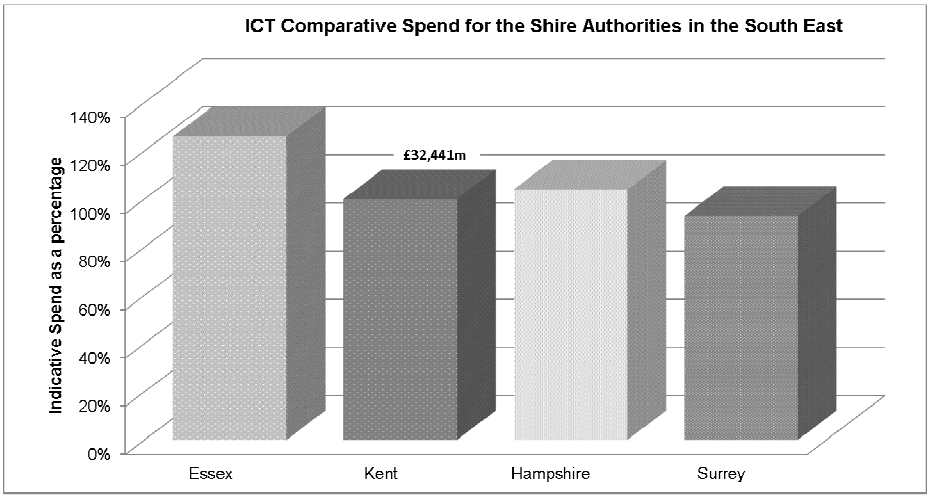
This figure was the average level of expenditure for 2009/10 and 2010/11 in support of change and/or enhancement activity commissioned by directorates through the ICT function. It includes larger ICT projects such as the transfer of staff out of 17 Kings Hill; Systems changes in support of council wide reorganisation and the 50 plus small to medium projects with ICT content delivered each year.

## 1.4 ICT Asset Maintenance Reserve £3.8M

The asset maintenance reserve is the means by which the council has moved towards an annualised cost base for ICT, so that Service Level Agreement (SLA) unit costs reflect Total Cost of Ownership (TCO) and not just support costs. This approach reduces the requirement of bids for repairs and renewals through the capital MTFP process.

Taken as an annualised figure, i.e. what it costs to sustain the council's core ICT, including repair, renewal or replacement of hardware, the annual revenue expenditure on ICT totals £31.4M. This is £1.M less than 2010/11 reflecting the savings assigned to ICT for 2011/12.

Benchmarking comparable spend across similar sized shire counties show broadly similar figures for 2010/11.




(Note: The comparison is indicative as the level of capital expenditure varies and published figures for 2010 and may not represent average capital expenditure for the other authorities)

## 2. Return on Investment

**2.1** A straightforward assessment of the value of ICT to the financial effectiveness of the council and the services it delivers can be based on an estimate of the cost to achieve the same level of activity through alternative processes. This exercise last completed in 2010/11 provided an indicative annual value of £70M – i.e. use of technology delivers a net efficiency against KCC operating costs of £38.6M.

**2.2** While this approach provides an objective measure is does not attribute any financial value to the potential service improvements, processes and customer expectations that demand availability of electronic services. Value for money is tested through benchmarking exercises.

### 2.3 Key Value Indicators for ICT:

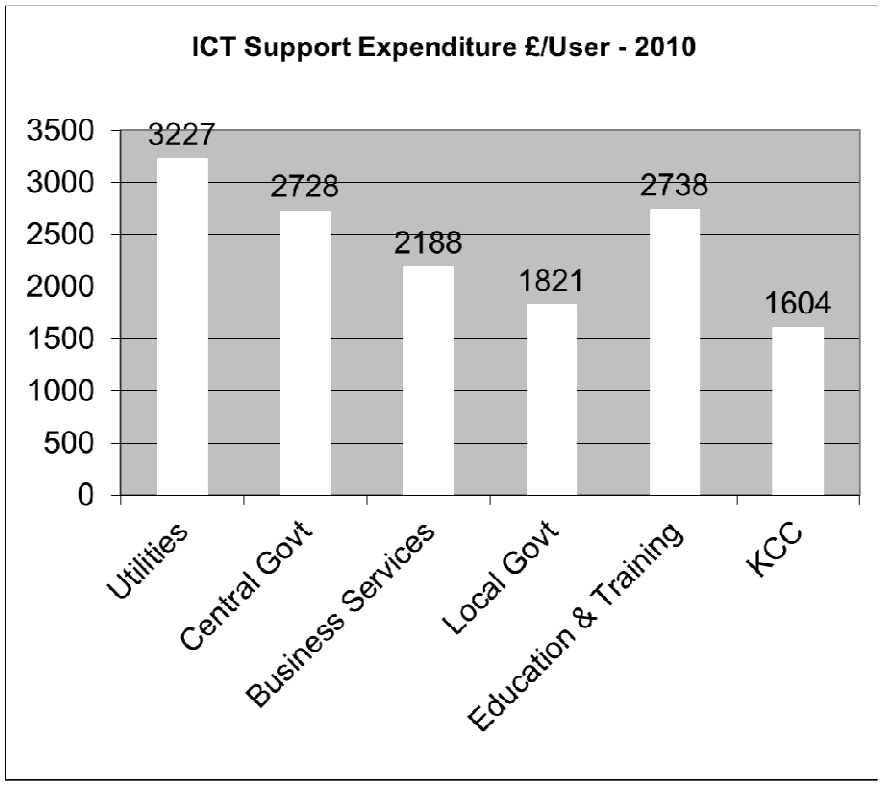
#### a. Users supported per ICT employee

| | |
|---|---|
| Shire County | 39 |
| Shire District | 35 |
| English Unitary | 47 |
| KCC | 56 |

This measure is used to assess the relative productivity of the ICT function.

SOCITM Benchmarking 2009/10

**b. Cost Per User**




NCC Benchmarking 2010

## 3. Investment Planning

**3.1** The ICT strategy has had three key elements, all of which have informed investment decisions to help deliver maximum value from expenditure on technology:

**a. Support for strategic objectives of the council**

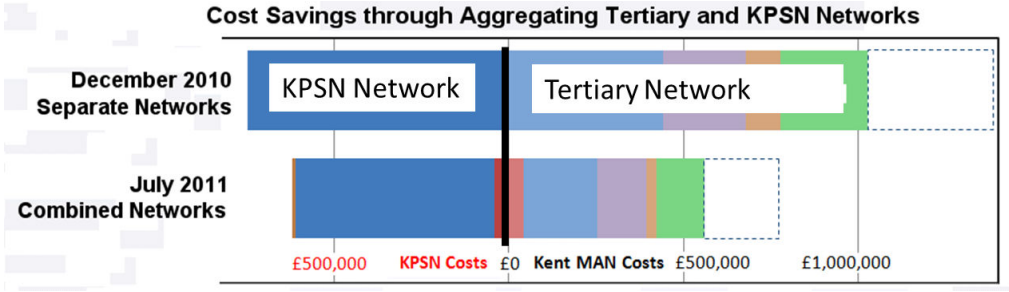
As previously reported to CPOSC the replacement of the council's data network with the Kent Public Services Network (KPSN) was designed to promote the delivery of improved broadband services, by the telecommunications market, to Kent based businesses. The approach adopted was to lever what was an essential and unavoidable investment in public service infrastructure, to support Kent SME's. The value of the additional benefit derived is calculated as £1.8M, which is the level of regeneration funding that would have been required to implement an equivalent solution. Further benefits of £0.4M have been achieved since implementation through the expansion of the network.

Reuse of the network infrastructure continues to be a significant consideration in regeneration strategy and improved broadband availability particularly in rural areas.

**b. Improve Service/Cost Efficiency though Multi agency collaboration**

The availability of a KPSN also provides the critical infrastructure to unlock the benefits that can be achieved through collaboration across multiple agencies, both from the viewpoint of financial efficiency and improved access to services by members of the public.

As illustrated in the diagram below the unit cost of shared network capacity reduces with the addition of more partners. What started as a local government partnership now incorporates Kent Fire and Rescue, Tertiary Education and a Primary Care Trust.




The technical architecture deployed also directly supports multi agency cooperation in Gateways, has allowed development of regional data centre facilities jointly with Medway Unitary Council and provided essential communications infrastructure for the development of the clusters arrangements between district councils.

**c. Maintain a sustainable and resilient ICT infrastructure**

For day to day ICT operational activity the priority is keep technology running costs as low as possible while maintaining maximum return on investment. ICT service levels and the structure of ICT support activity is planned around availability of systems and infrastructure. This is the indicator that most influences the value realised through technology.

ICT Performance
Against base of 1.8 Million Computing Hours per month

| Measured SLA Activity | Annual Target | Performance 2010/11 |
|---|---|---|
| | | |
| Desktop Availability | 99.4% | 99.52% |
| Network Availability | 99.0% | 99.80% |
| Systems Availability | 99.0% | 99.40% |

## 3.2 Sustainability

**a.** The second major operational consideration is ensuring that there is a planned and predictable cycle of renewal and replacement over what is typically a 10 year life cycle for ICT infrastructure. This approach has informed the development of the asset maintenance reserve to smooth out what would otherwise be an inefficient and irregular demand on capital expenditure.

**b.** The £3,800k referenced in section 1.4 is the average annual drawdown from the asset maintenance reserve, including the revenue implications of the current capital programme. The industry standard for ICT repairs and renewals is calculated at between 20 to 25% of support overhead per annum. Against core support costs the council's planned commitment is 20.6%.

**c.** With increasingly challenging budgets, the asset maintenance reserve also provides a means of funding 'invest to save' initiatives in years where the reserve is in surplus. While this requires rigours delivery against benefits realisation plans to replenish the reserve, it is a means of reducing demand on capital funding, while providing an opportunity to support ICT investment to increase operational efficiency.

## 4. Improving Return on Investment

Change to Keep Succeeding has provided a framework for rebuilding systems around the 'one council' concept. From an investment perspective this creates opportunity for efficiency and performance enhancement. Reduced costs can be achieved through rationalising around common, simplified and integrated business processes across the entire council. This is a considerable task across what has been a highly devolved organisational structure and requires well planned implementation to ensure that the potential efficiencies are achieved both in support functions and front line services. By making these changes in business process, the full potential of the council's investment in Oracle systems will be able to be realised. Using the industry standard title of Enterprise Resource Planning, the ERP Programme was launched earlier this year.

## 4.1 Enterprise Resource Planning (ERP)

ERP is defined as: *"The ability to manage all information and functions of an organisation through a single set of simple and clearly designed business processes*". The intention of the council's ERP programme is to commence this approach with a review of finance and human resource processes, followed by rebuilding the Oracle system around a consistent and consolidated approach. For successful delivery of back office savings already identified for both finance and HR functions this is a critical programme of works.

**4.2** Projects in both areas anticipate introducing processes that enable budget holders and line managers to make far more extensive use of electronic data and self-service tools, via Oracle, to reduce their reliance on central support staff and the current level of local administration. The approach also requires further migration away from paper based processes and authorisation to electronic filing and online authorisation and checking.

**4.3** An additional benefit of the programme will be improvement to the budget monitoring process, with significant reductions in the amount of staff time expended on gathering and consolidating data for reporting to cabinet and committee. An inconsistent approach to recording commitments across business units needs to be resolved with both staff and members being able to confidently rely on a single source of information: the council's Oracle Business Suite.

**4.4** Subsequent stages of the ERP programme will deliver full implementation of the iProcurement solution. As with core finance and HR processes, the consistency, rigour and transparency this will add to the procurement process will be the means of driving out the target savings efficiencies identified in the MTFP against the procurement process.

**4.5** The following stage of the programme can then concentrate on aligning the core resource data from Oracle with activity data from line of business systems. It is this stage of the programme that has most potential to impact on performance and improve planning and prioritisation activity across the authority. This aspect of the programme will have the longest implementation timescale as many of our legacy business systems continue to be based on proprietary software with limited integration capabilities. As these systems reach end of life it is important that the specification for replacement systems considers this requirement.

## 4.6 Channel Shift

Future selection of software solutions will also increasing be informed by the Customer Services Strategy, currently being drafted, and the expectations of users of public services. Where previously solutions have been designed solely around back office processes, future versions will need to be accessible online and offer the opportunity for self service and direct access to service users. This will radically change the role of ICT

services and how the council provides ICT support once the shift to electronic channels gathers momentum.

**4.7** The financial benefit to the council of moving users to this channel is clear, the cost ratio between face to face: telephone and online being 800:80:8. The internal service levels of 99%+ availability from 8:00 to 18:00 Monday to Friday, quoted elsewhere in this document, however, became entirely inadequate when the access model becomes 24 hours a day 7 days a week. One implication will be that the rapidly diminishing upgrade and maintenance window for internal support disappears completely and will demand entirely different technology architecture.

### 4.8 Productivity Software

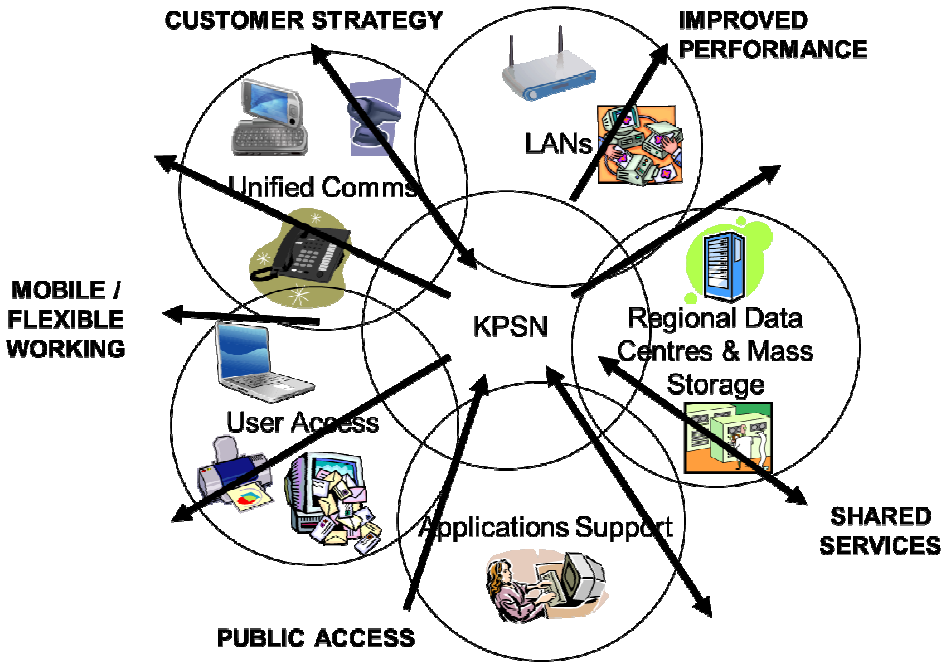
Our use of basic Microsoft desktop software, such as Outlook Calendar, Word, Excel and electronic storage and communication facilities have increased the productivity of individual users. Introducing clearly defined council standards around consistent use of these products is another opportunity to make substantial productivity gains. Definition of common documentation templates, being provided by the communications unit creates the opportunity for these to be embedded within future versions of desktop software. An extensive benefits programme will be designed as part of the rolling programme of hardware refresh from early next year.

## 5. The ICT Capital Programme

**5.1** This is an invest to save programme of £10.1M over a 4 year period to deliver net savings of £1.7M per annum which are incorporated into revenue MTFP. Part of the design of this programme has been to move from a capital to revenue funding basis for ICT so the annual cost of sustaining current infrastructure can be reported as single annual figure.

**5.2** The impact of the capital programme is already making a considerable contribution to efficiencies and achieving the required savings targets. The total of 364 servers referenced above is 236 less than the numbers in place at the outset of the capital programme. Combined with the joint investment with Medway in shared data centre facilities this initiative not only reduces cost but also results in a significantly reduced carbon footprint.

**5.3** In addition to achieving a reduction in overheads and establishing the asset maintenance reserve, the technology architecture introduced by the capital programme has been designed to support the wider objectives of the council.




**5.4** Future capital investment related to ICT will be driven by a new ICT strategy which is being updated to reflect Bold Steps for Kent. This approach will reference requirements across all directorates, divisions and units and link investment to change and improvement initiatives within the context of priorities in Bold Steps.

**5.5 Integrated Children's System**

Following assessment by OfSTED areas for improvement were identified related to the Integrated Children's System ("ICS") in use by the Council and partner organisations. The ICS programme was established and tasked with addressing issues raised by OfSTED who made a number of observations and recommended that a detailed review of the ICS system should be carried out and works undertaken to ensure that it was fit for purpose.

**5.6** Price Waterhouse Coopers (PWC) was engaged to undertake an independent review. The findings indicated that the council's current ICS solution is unlikely to meet the transformation requirements for the FSC Directorate and the wider needs of the Council in the long term unless significant development were undertaken. Implementation of a replacement system, capable of supporting the next stage of service improvement, including the recommendations arising from the Munro report, was considered the most appropriate way forward.

**5.7** Cabinet approved the approach and an amendment to the prudential borrowing in the 2011/12 capital programme. The full year impact on the revenue budget will be approximately £270k per year for a period of seven years. This will be factored in to the overall financing of the capital programme in the 2012/13 revenue budget build. The procurement process commenced following this approval and the council is currently waiting for tender responses from qualifying suppliers.

## 6. Efficiency Savings

The ICT function has developed efficiency/savings proposals to contribute to council wide efficiency targets. For 2011/12 this has reduced total expenditure on ICT by £1M. A further £4M of savings against current revenue are planned over the next 3 years.

### 6.1 Current Status

Efficiency targets have been designed to maintain ICT service levels and the sustainable investment in infrastructure required to support increased dependency in technology. While support capacity has been reduced to reflect the changing shape of the organisation, the majority of cost reduction has been achieved through lower unit costs arising from collaboration with other public agencies. The status of ICT savings targets has moved from amber to green at end of the second quarter 2011/12.

### 6.2 Savings Strategy

To sustain this approach to savings becomes progressively more challenging. For 2012/13 further public sector partnerships will need to be established and the range of shared service expanded, if reductions in ICT service levels are to be avoided

## 7. Recommendations

Members are asked to note and comment of the contents of this report

## 8. Background Documents

None

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