PLYMOUTH CITY COUNCIL

Subject:	Update on ICT Investment
Committee:	Support Services OSP
Date:	6 August 2012
Cabinet Member:	Cllr Peter Smith
CMT Member:	Adam Broome
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Ref:	MG/1
Key Decision:	No
Part:	1

Purpose of the report:

To give

- An understanding of the scope of the shared service proposal, the strategy, delivery timeline and the proposed partners

- An understanding of the improvements being made within ICT, the scope for savings and the strategy for rationalising the number of systems and ensuring data is secure and customer's experiences improved

- An update on the HR payroll project delivery and benefits the project is to bring

Corporate Plan 2012-2015:

Value for communities – Investments will enable the Council to improve service efficiency, the quality of management information and speed of service.

Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land

These projects are within resources currently allocated

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

- Risk Management – Contributes to the Councils risk management strategy through the reduction to the impact of a loss to the Civic Centre Data Centre through improved resilience, faster recovery times and newer equipment.

- Equality, Diversion and Community - improved access channels will allow greater flexibility in the way our customers interface with the council

Recommendations & Reasons for recommended action:

Report is an update so recommendation to note the report

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Alternative options considered and reasons for recommended action:

_____
Background papers:

_____
Sign off:

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											
Have you consulted the Cabinet Member(s) named on the report? No											

1.0 Shared Services Update

1.1 It is becoming increasingly clear that the level of cuts being requested of the public sector is likely to force upon it a change of operating model. We have already seen the requirement for social care and health to work more closely together to bring about better outcomes at reduced cost. The danger of not doing so means that demand for services will, at some future point, consume the councils' entire revenue budget.   This has been most recently highlighted in the report, by the LGA 26 June 2012, *"Funding outlook for councils from 2010/11 to 2019/20: Preliminary Modelling"*.

1.2 It has already been said time and time again that better information sharing leads to better outcomes.   This is never more true than when it comes to children's safety.   Every report into child abuse scandals has highlighted this requirement.

1.3 Sharing services for many has simply meant asset consolidation, sharing some sort of communal asset so that 'salami slicing' can once again be used to deliver some savings. Whilst not entirely inappropriate, what we are trying to achieve goes way beyond this simplistic approach.

Scope

1.4 The scope of Plymouth's approach to shared services is of national interest, and is eagerly being watched by several national bodies.   We are seeking to established a 'place- based' service bringing together cross-sectoral partners who have a vested interest in maintaining and growing high GVA adding jobs in Plymouth and the wider region. This helps maintain and grow the local economy as well as providing a more cost efficient service, but it also facilitates better information sharing and underpins the type of business process reengineering necessary to radically improve service delivery and enable a cost effective front-line service to be delivered.

1.5 We are seeking not to limit the ultimate scope of the project but to ensure that we work with those agencies who value what Plymouth has proved itself capable of delivering.   That is to say a high quality, highly available and cost effective, professional service.

1.6 The overall objectives of embarking on such a programme of activity should not simply be taken with the view to reduce costs. Evidence has shown that where this is the sole reason for adoption both shared services and out-sourcing have generally failed to deliver. The reasons for this are multiple, but the most significant factor appears to be that contracts are too tightly focused on cost and then the required activity to improve services, customer satisfaction or deliver organisational change comes through as change control items incurring further considerable expense.

Strategy

1.7 The strategy is to create a joint venture vehicle that will ease the capital burden on the council, enable the transfer of risk, and to provide on-going benefits to the council and the partners from its continued growth and success.   It will seek to offer standardised services at very competitive rates and allow the client base to determine added value from the supply of further projects as necessary.   It will seek to work to the benefit of the entire customer base in developing new efficient and effective processes combining the best of technology with process redesign and cultural change.

1.8 This approach has already proved itself highly effective within Children's Services and the use of CareFirst.

1.9 The leveraging of the Microsoft strategy has already yielded benefits in that the service currently being rolled out is seen by many as being leading edge and for our geography highly

important in giving us the scope to build the talent pool available to all organisations within the south west.

1.10 It has also brought us success with our potential client base as they have seen the advantages that our internally developed service now offers. We are rolling out the largest Microsoft Lync implementation outside of the USA, and we are even hosting visits from private companies such as Debenhams PLC. Plymouth is the only council represented on the Microsoft Product Strategy Board, our counterparts are multinational companies and household names. We should be proud of what we have quietly achieved.

Partners

1.11 Our ideal client base is any public sector organisation in Plymouth and Devon. We have already had a successful project with the University and I would hope that one day we can progress matters with them again. But for now our focus is on delivering the business case to bring over Public Health, NHS Plymouth and Sentinel CiC.

1.12 We are also having discussions with Plymouth Community Healthcare CiC and other District Councils within Devon, of which many have already visited and have expressed interest. A number of these organisations have already signed a Memorandum of Understanding (MOU) and want to work with us to develop the business case for this exciting opportunity.

1.13 We are also seeking to partner a number of private sector companies in building a city-wide data centre strategy that will see the creation of upwards of 20 new, high GVA jobs, as well as underpinning the future expansion of some of our most successful high-tech companies. We have the support of other organisations within the city for this including the Chamber of Commerce, Babcock and the Land Registry. Again this approach is attracting national and international interest as a possible model for the future growth and governance for similar city based projects.

1.14 Initial contacts have been made with the Association of Colleges and the 157 Group with a view to establish links with the FE sector who wish to take forward the shared services agenda. While projects are progressing elsewhere in the UK there are currently no shared service projects west of a line drawn between Weymouth and Bristol. There is national appetite within this sector to fund projects that can deliver best practice lessons to a wider audience.

Delivery timeline

1.15 There are two key gateways in attempting to deliver this project by April 2014. The first is to have a gateway in December 2012 to have the business case agreed with the partners before proceeding with and significant resource commitment and to finalise the technical designs.

1.16 The second gateway is to be ready by May 2013 which is to approve the designs, and the service levels so that the implementation phase, migrating systems, placing orders for communications circuits etc. can begin to ensure operations can start prior to financial year 2014/15.

So far we have the MOUs signed, legal advice has been taken as to the most appropriate governance structure for the joint venture vehicle and we are determining the benefits from the business case.

Independent consultants have already validated our design approach and stated that our service is the best technical solution for NHS Plymouth.

1.17 **Benefits and Risks**

As already stated these types of projects should not simply be driven by a cost reduction approach. Those that have, have already shown their fragility and failed to deliver the desired reductions.   It should also be noted that a recent NAO report and stated that many central government initiatives have failed to deliver.   The overriding factor here is that they have all assumed that everyone else will come to them and take on their spare capacity, and sharing has not been mandated.

This has not been Plymouth's approach.

We have sought to build a service that is fit for the Council's needs, we have demonstrated the value of our technical approach, and sought to build a coalition of the willing, without recourse to whom ultimately runs the operation.

This has brought success and means that we can expand in an incremental fashion and not incur the level of transition costs borne by those in central government.

However the benefits case starts with delivering lower costs through economies of scale as well as reduced duplication.   But more fundamentally for many it also derives service improvement, reduced risk of failure, and an improved recovery capability.

For the Council we receive a contribution to our overheads while covering the variable costs directly.   The Council should expect to see a 10% reduction in its like-for-like ICT costs while continuing to see an improved service.

The city should see an easier way to share data appropriately and securely and thus new delivery strategies will become possible, delivering better services to citizens.

The service could be extended to cover co-operatives, thereby ensuring the continued, secure flow of data while freeing them to continue with their directly customer facing work.

This should help continued performance monitoring and contract management where required.

Furthermore with standardised processes and better discipline in using fewer systems the frontline should see increased efficiency and hence better able to manage demand.

There are of course some risks.

A lack of coordinated leadership is probably the greatest risk to the success of this approach. This could create 'hokey cokey' partners.   That is to say partners who are not fully committed and who see themselves are using their involvement as constant leverage to skew priorities.

It could also pull in a number of directions the strategic intent of the new venture.   This would have to be mitigated by the careful drawing up of the Article of Memorandum and the governance of the company structure.

Also a failure to accept the need to standardise would reduce the overall level of benefit realisation. Full customisation for all clients could mean the costs rise.

All of these risks remain in place should outsourcing or a move to 'cloud' based services be considered. The added disadvantage would be that a more hard-nosed commercial culture may be applied and any dividends wouldn't accrue back to the Council as a shareholder.

There are also obstacles around fear of loss of control and that this decision would require a long-term view of the best way forward for the city first, and individual organisations, potentially, second.

All of these risks pale when compared to the risk of failing to recognise the need for radical change.

2.0 ICT Improvements being made

ICT is not just a support service; it has become a critical, pivotal service. If it is unavailable, the organisation cannot operate. It has the ability to transform the way services are organised and delivered. It has a fundamental role to play in improving efficiency, reducing cost across the organisation and underpinning the organisational change programme.

The cost of supplying ICT services has continued to fall over the years but the use and introduction of new services has increased. The Council has recognised this by continuing to invest in ICT.

PCC has had a £500,000 annual ICT investment programme which is assigned to keep the lights on. This year's investment is targeted at replacing aged infrastructure as well as ensuring key building blocks are in place to support the future transformation and rationalisation programmes.

This year's programme includes;

- Replacement of servers that can no longer be supported including the infrastructure that currently supports libraries public access PC's.

- Replacement of core infrastructure including monitoring tools to ensure appropriate capacity and event management of the services. This will provide improved service availability through early warnings, improved management and forecasting allowing ICT to be more proactive and focus on service development rather than fire fighting.

  A review of access devices includes projects such as Blackberry replacement, bring your own devices and other client technologies which will allow increased flexibility of working and energy savings.

- Implementation of a protective monitoring toolset and data leakage protection will help ensure we are keeping our information safe from unauthorised access and enable us to connect to other services such as NHS, DWP and the youth justice board.

- The installation of core enterprise applications to support Business Intelligence (Reporting), Records and Document Management, Application consolidation (CRM Dynamics) and Systems Integration will ensure we make more appropriate use of the information we hold. It will help enable accuracy of information, ease of use and the tell us once agenda giving improved customer services.

Funding has also been allocated to setup and migrate to a new data centre. The current data centre is now over 25 years old and all the ICT services are housed in the Civic Centre. The new data centre will provide added resilience and Disaster Recovery which mitigates a key corporate risk. Scope for expansion has been built into the design to support new requirements and the shared services agenda.

The delivery of the technologies to support the corporate accommodation strategy and future shared service agenda, including upgrading all PC's to a secure Windows 7 operating system, the rationalisation of desktop applications and versions and the implementation of Lync telephony and unified communications has allowed improved and more efficient and consistent working practices through hot desking.

These programmes are all on target to be completed by the end of this financial year.

2.1 **Scope for savings via rationalisation of ICT**
The transformation programme will build on the foundations laid out in this year's programme.

Plymouth City Council has 277 line of business applications operating across all departments.

This current model of ICT infrastructure has grown through business needs and demands. Services tend to have fit-for-purpose applications to support their specific needs however there is a high overhead in maintaining such a broad architecture, often with complex interfaces and nearly always duplicating data and information between systems.

Analysis of the 277 applications indicated that, under the proposed infrastructure, nearly 30% of the existing applications could be consolidated into the proposed core infrastructure. This would reduce the need for hardware, licence costs and maintenance overheads. (Appendix A, Table A2)

Over the period of this investment, a number of the existing systems will be considered for major upgrades, replacements or new hardware requirements. Both options incur capital cost and have on-going revenue implications. The proposed solution puts in place a core infrastructure where migration of data to a single platform would provide better value for money as the time and development required would be considerably shorter, along with a reduced on-going capital need for hardware and licence costs.

System duplication in function also occurs between platforms for functions and information stored. This results in duplication of physical effort (input of data). Additionally, this essentially means the Council has a number of different ways of working such as document storage, performance reporting etc that results in increased overheads, variable data quality and duplication of maintenance costs. A common example is the number of applications that store customer information. A single source of customer information, including names, addresses and service use would provide a single place to maintain and greater customer information. This will also reduce the risk to the Council in respect of potential data breaches through greater control over personal information sets. Another example is the number of telephone systems being maintained through legacy systems and new ways of working. The proposal is to reduce these down to two core systems – a business system (Lync) and customer call system (Avaya, with the intention to move to Lync).

System gaps are also present in the current way of operating. A number of departments would benefit through the additional infrastructure proposed. At present there are a number of reporting tools attached to specific applications. This provides performance information from a single source but does not necessarily correspond or correlate performance information where data is held in different systems. Furthermore, common applications for electronic document storage and self-service (for employees, customers and managers) would provide greater efficiency and reduce overheads in processing time, storage costs and 'transportation' (the time taken between transactions until it is complete).

Total cost of ownership is the method of calculating the cost of adopting particular systems and ways of working. At present, multiple systems, often specialised for an area of work, require specific training programmes and knowledge. This means that the ICT training programme is required to design and deliver specific training for each package that the Council operates, including refresher courses for upgrades requiring further time-out from the workplace for employees. The proposed infrastructure will provide a core of applications with a common way of operating, including look and feel, and a more cost-effective way to train staff through generic application training, online training and webinars with reduced out-of-work training requirements. For the ICT function, there will be less need for application-specific training required to maintain the system and upgrades due to the reduced number of systems being supported.

In January 2012, City Council approved the allocation of £3million in capital to invest in developing a core infrastructure subject to a full business case being presented to Cabinet. The business case will be presented to the Cabinet on 11 September 2012 for consideration and will set out:

- The components of a core infrastructure that will enable customer service transformation and a modernisation and efficiency programme
- The opportunity for application consolidation onto the core infrastructure
- The development of a core suite of self-service applications to reduce internal costs
- The opportunities for transformation of services and service redesign in every department over the next 2 – 3 years.

The business case will establish a start-up phase of the project between September 2012 and February 2013 to further investigate the priority areas for modernisation and efficiencies in each department, migrating onto the opportunities of the current platform and developing a means to migrate to the new platform within the next 3 years.

The first of these systems and departments to migrate will be human resources and organisational development.

2.2   Data Security

Plymouth City Council has always taken data security seriously but through the rationalisation of systems allowing a single version of data and as reduced number of systems to manage improvements will be made. The organisation is compliant with nationally agreed standards and regularly audited on both. Recommended improvements from the auditors include the Protective monitoring solution which will be delivered as part of this year's programme. These compliance programmes are mandated from organisations such as the DWP and banks, without them we would not be able to communicate with other government agencies or take credit card payments.

A redesign of our public facing internet service will ensure we meet current best practice.

2.3   Customer experience

These investments and the future transformation programme will support a much improved, joined up, customer experience enabling improved service efficiency, the quality of management information, speed of service delivery including increased self-service opportunities

Investments will enable the Council to improve service efficiency, the quality of management information and speed of service through multiple access channels.

3.0   HR payroll project – delivery and benefits

The Council has approved a £2 million project within the capital programme to replace the existing SAP system (HR and payroll) and migrate the functions onto the new Microsoft ERP platform. This will also begin to consolidate a range of employee data from across the organisation to improve efficiency and monitoring.

The project has completed the analysis and design phase and has now progressed to the build and test phases of the project before parallel systems are turned on in September 2012, with a view to a full go-live in November 2012.

The project itself is 2 months behind schedule due to functionality gaps in the core element of 'absence and attendance'.   Whilst the functional specification requirements were met by the product (Microsoft Dynamics AX) additional development (programming) was required to adapt to the complex local government terms and conditions, and rules within the system. However, the new functionality for absence and attendance is functionality that is not currently present within our existing system (SAP) and will provide an enhancement to managing absence (sickness, holidays, and flexitime) and attendance (training course monitoring, electronic timesheets etc). This in turn provides greater organisational efficiency in payroll processing and accuracy.

The HR and payroll project is the first major system used across the whole organisation that will, with the additional investment in the core infrastructure in 2013/14, provide a significantly reduced overhead to the organisation for people management. This includes a reduction in paper files, more on-line self-service, electronic payslips, online course bookings, online appraisals and greater transparency around vacancies and the establishment. All of these are currently manual processes requiring paper records.

Self-service for employees and their managers will also ensure that changes to personal details, equalities data and requests will be the responsibility of the employee, reducing the need for additional resource centrally. This also has the benefit of employees owning their data and information and keeping this up to date.

Behind the HR and payroll project, we are also now making links to the future programme and emerging architecture to maintain the integrity of systems and reduce administration. For example, the Council's 'Active Directory' (list of ICT users, permissions and telephone book) are now driven from the HR records rather than maintained separately in another database. This is part of creating a core record which reduces administration, maintains data integrity and provides a consistent, single source of data information for reporting purposes.

The HR and payroll project will also take advantage of other existing systems integration with the Microsoft suite, for example, utilising the case management system from customer services to manage employee case management, health and safety records and CRB checking service.

For customers, particularly schools, there is the benefit that self-service will mean that they will get instant visibility of changes to payroll, check the payroll system at their convenience and reduce the need for manual inputting of paper forms – therefore eliminating the need for process and potential processing errors or loss. Having said that, the Council's payroll team performs excellent for accuracy and this is a service enhancement, it is not intended to fix a 'problem'.