

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	19 May 2009
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Data Services - Hosted and Shared Services Strategy
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Advise Committee of the Strategy for the development of services in support of the Efficient Government Agenda.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Strategy be approved
- (2) that the Action Plan and timescales be noted
- (3) that potential future changes in the organisation to deliver be noted.

3. Background

- 3.1. The Caird Data Centre was custom built for Strathclyde Regional Council and was officially opened in 1990. It was designed to house the large mainframe computers supporting Council Tax and other Regional systems.
- 3.2. The Data Centre was transferred to SLC as part of the dis-aggregation of assets that took place at the time of local government re-organisation in Scotland in 1996. The Data Centre was originally designed to host large (physical size) mainframe computers and with the dramatic changes in computer technology that have taken place over recent years the Council finds itself with excess space capacity that could host a significantly larger number of server systems than required by only the Council. As such the Data Centre represents a significant publicly owned asset with relatively low utilisation of space.
- 3.3. Over the last few years significant resources have been invested to keep the facility up to date, maintainable and relevant as a modern facility that can provide a range of IT services. The Data Centre has all the facilities that would be expected in today's market of a tier 2/3 data-centre including:
- ◆ False floors and ceilings
 - ◆ UPS (Uninterruptible Power Supply), standby generator, fire detection and suppression system
 - ◆ High level of security including:
 - ◆ Intrusion monitoring
 - ◆ CCTV
 - ◆ Perimeter fencing

- ◆ 24 hour physical security presence
- ◆ Access control
- ◆ Large media store.

3.4. The Data Centre is critical to the Council's service delivery. It provides the production environment that supports all of the Council's business critical applications. These applications support the delivery of all billing, collection and payments for the Council.

4. Hosting and Shared Services

4.1. Due to the increasing amount of available space as a direct result of technology developments, opportunities were identified that would allow the Council to make use of the excess capacity in the Caird Data Centre in return for an income. This approach to "renting" the space and providing at the minimum security, power and the ability to make network connections is known as hosting. This service is delivered under a space lease agreement that has been developed with and agreed by Legal Services.

4.2. To this end the Data Centre facilities are already used by a small number of public sector bodies for hardware hosting. Currently these include:

- ◆ Scottish Government - National Infrastructure for Customer First including the citizen's account, national property and card services. This utilises the schools' digital network (SSDN) that already connects Scotland's 32 Councils
- ◆ University of the West of Scotland – hosting of servers linked to its own network.
- ◆ Scottish Government ISIS
- ◆ West Lothian Council Disaster Recovery Services

4.3. Hosting of the last three customers is the simplest delivery model for the Council. They have signed agreements for basic hosting services. ISIS and UWS both to 30 November 2010 with 1 year extension option, West Lothian to 31 Mar 2012 with 2 year extension option. There are no resource implications to the Council in this arrangement. The arrangement seeks to cover the proportion of the total Caird costs that their equipment occupies within the Data Centre.

4.4. The National Infrastructure has the potential to be more complex depending on the approach that is adopted by the project to support live running when the range of systems are available. The National Infrastructure has been funded by the Scottish Government but is jointly "owned" by all 32 councils. The development and governance of this is to be debated by the Customer First Board shortly. South Lanarkshire Council are the Lead Authority for this National Infrastructure and the hardware and software have been procured through South Lanarkshire contracts.

5. Future Opportunities

5.1. A number of other public sector organisations have intimated interest in the shared service approach. Potential developments being discussed include:

- Hosting SEEMIS schools management system used by several Councils (25) throughout Scotland
- Disaster recovery for Dumfries and Galloway Council early discussions
- Hosting for the outsourced Highland Council Contract
- Disaster recovery for the Scottish Parliament

It is worth noting that the experience to date has shown that the opportunities that present themselves are taking a significant time to become real "contracts".

- 5.2. Based on the current occupancy and the potential business identified, the combined potential for shared IT services from the market could have the ability to absorb the entire capacity of the Data Centre over the next 2/3 years.

6. Strategy

- 6.1. In order to document an area of activity that will present a significant opportunity for the Council to maximise the use of its assets as well as maximise the income potential in response to the Shared Services agenda a Strategy has been prepared.
- 6.2. The Strategy covers both data centre and application hosting and consists of a journey of a number of stages. Although it is anticipated that the Council's journey would be limited and would stop short of fundamental changes in ownership and governance, the strategy sets out the context of what could be involved at each stage. The proposal is to offer the hosting services primarily to other local authorities and public sector organisations throughout Scotland.
- 6.3. This report seeks the support of the Committee to embark on this journey.
- 6.4. If this recommendation is accepted then the first steps will be to build on the existing arrangements for hosting that have already been established. In parallel work will be carried out to determine the business case for further application shared services that will address any requirement for investment of both financial and human resources, product/service development and changes to business processes. This would form a true business case for the exploitation of the application shared services and cover any issues around procurement and competition.
- 6.5. During the preparation of the strategy we consulted with key stakeholders in the Scottish Government and the Improvement Service although we have not yet approached them to seek any funding for the business case development work. It is however believed that the Council could receive a sympathetic hearing for financial support in taking this proposal further.
- 6.6. The action plan at Appendix 1 summarises the proposed next steps contained within the strategy.

7. Employee Implications

- 7.1. There are no employee implications.

8. Financial Implications

- 8.1. The current projections for income from hosting activity is detailed overleaf:-

Data Centre Costs				
	Pre Hosting	Hosting (estimates)		
		2008-9	2009/10	2010/11
Property Costs	205095	226122	248546	257493
Electricity	105154	220000	438232	758907
Expenditure	310,249	446,122	686,778	1,016,400
Hosted Racks	0	19.3	57	88
Annual charge per rack *	0	11,550	11,550	11,550
Projected Income	0	223,262	658,350	1,016,400
Net Expenditure	310,249	222,861	28,428	0

* Note : Annual charge per rack based on full hosted capacity in 2010/2011

9. Other Implications

9.1. None

10. Equality Impact Assessment and Consultation Arrangements

10.1. There was no requirement to perform an Equality Impact Assessment in relation to this report.

10.2. Legal Services, Estates and Internal Audit were consulted during the drafting of the Licence for the provision of hosting space.

Linda Hardie

Executive Director (Finance and Information Technology Resources)

20 April 2009

Link(s) to Council Values and Objectives

♦ Value: Accountable, Effective and Efficient

Previous References

None

List of Background Papers

♦ Hosted and Shared Service Strategy

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Strategy section	Action	Priority	Proposed timescale
9	Market Data Centre to other bodies	Medium	ongoing
8.2	Discuss with and arrange a presentation of the Data Centre capability via Cosla/ Improvement Service	Medium	Apr – June 2009
8.2	Refine the Data Centre brochure	Medium	July - Sept 2009
8.2	Establish an SLA template	High	Apr – June 2009
8.2	Refine contract management processes for external customers	Medium	July - Sept 2009
8.2	Establish a Cost Centre for all Data Centre costs and income	High	Apr 2009
8.2	Monitor pricing strategy and refine as necessary including cost recovery and income generation	Medium	Apr 2009 – Mar 2010
9	Work with the Joint Board to ensure delivery of Lead Authority commitments for the National Infrastructure for Scotland	Medium	ongoing
8.3	Define scope of the Lead Authority role for the National Infrastructure	High	Apr 2009
8.3	Depending on the services required (eg backup, help desk, application support, database management, etc) make recommendations on resourcing required both human and financial	High	May 2009
8.3	Lead in the setting up of governance arrangements for the operational stage	Medium	June 2009
8.3	Service level definition	High	May – June 2009
8.3	Out of hours cover definition	Low	May – June 2009
8.3	Refine billing arrangements and accounting	Medium	July - Sept 2009
9	Investigate in further detail the opportunities afforded by the Shared Services agenda to provide a wider range of IT Services to other public sector organisations – particularly other local authorities.	Medium	ongoing
9	Prepare a business case to support this potential development and seek funding from the Scottish Government and the National Shared Services Board for that exercise	Medium	March / April 2009
8.4	Engage with the National Shared Services Board	Medium	March / April 2009
	Specific Proposal for South Ayrshire Council – HR/Payroll		
	Report to F&IT Committee 3 rd March seeking political authorisation to progress positive discussions with South Ayrshire Council in relation to shared applications provision around HR/Payroll.	High	3 rd March 2009 - Complete
	Confirm scope of project with South Ayrshire Council	High	May 2009
	Establish 'Guiding Principles' for shared services application provision to South Ayrshire Council	High	April 2009
	Identify additional resources required	High	June 2009
	Define pricing strategy and model	High	June 2009
	Develop Service Level Agreement	High	June 2009
	Develop Business Case for shared services application provision for South Ayrshire Council and report to CMT and F&IT Committee. This will include resources, technology and licensing implications.	High	July 2009
	Establish Project with South Ayrshire Council	High	August 2009
	In relation to other potential shared services developments:		
8.4	Identify potential target market	Medium	2010/11
8.4	Identify range of services	Medium	2010/11
8.4	Produce documentation/marketing materials	Medium	2010/11
8.4	Identify additional resources	Medium	2010/11
8.4	Licensing considerations	Medium	2010/11
8.4	Procurement considerations	Medium	2010/11
8.4	Develop service level agreement	Medium	2010/11
9	Report back and seek a decision on the future direction		