

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	1 February 2011
Report by:	Executive Director (Corporate Resources) and Chief Executive

Subject:	National Diagnostic – ICT Services
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide Committee with an update on work carried out in relation to the National Diagnostic Project – ICT Services, and make recommendations for the future delivery of the IT function across the Council.

2. Recommendation(s)

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

- (1) that the proposed reduction in IT Services staffing of 8 FTE over the period 2010/11 to 2011/12 with the associated budget reduction of £348,000 be agreed
- (2) that the balance of the required efficiencies for the 2011/12 year be met from a combination of income and non staff savings totalling £611,000
- (3) that the associated constraints/risks be noted
- (4) that ICT Services continue to explore opportunities to drive further efficiency savings across the Council
- (5) that it be noted that a further review of ICT services is undertaken in 2012/13 for implementation in 2013/14.

3. Background

3.1. *National and IT Diagnostic*

3.1.1. In April 2008, KPMG, working with an in house team that comprised an officer from each Resource, was charged with identifying areas where there was potential for efficiencies using a value chain analysis technique.

3.1.2. The numbers involved for IT delivery as reported were 121.4 FTE of which 110.4 were in IT Services.

3.1.3. The information collected indicated that there were no issues around ICT in relation to the numbers involved but identified a project that was contained within the 10 priority projects – ‘Maximising the use of ICT.’

3.1.4. The outline for this diagnostic was:
'Review of functionality, to ensure it is fully developed and that existing systems are considered before procuring new systems. By utilising what systems the Council has to their fullest capacity, the Council could reduce licence and support costs, enhance existing skills and create a more joined up approach to delivery with potential to share systems outwith the boundaries of the Council.'

3.1.5. A 'terms of reference' was prepared and agreed for the ICT Diagnostic meeting the outline objective at 3.1.3.

3.2. ***Efficiency Agenda and Financial Strategy***

3.2.1. In September 2009, in light of the worsening financial situation, a material change to the terms of reference for the IT Diagnostic was effected. The revised objective, based on the Management Diagnostic and the emerging financial pressures, was to broaden the review to examine existing models and structures and deliver required efficiency savings over five years.

3.2.2. The impact of the efficiency agenda will be the necessity to move to a 'demand-led' model of service provision with an increased focus on business case development, business justification and improved corporate prioritisation of IT-related projects and developments.

3.2.3. The full diagnostic report was presented to the Performance Review and Scrutiny Forum on 26 October 2010.

3.2.4. It is important to put the required level of saving (£0.959m) in context. The total existing controllable IT expenditure is £11.035m with employee costs representing 57%. A significant proportion of administration costs relates to software support where savings are very difficult to make without retiring the solution. This support typically attracts inflation linked price rises on an annual basis thus increasing the requirement for efficiencies on other budget lines.

3.2.5. The inevitable reduction in capacity will require a fundamental shift in both the management of expectation of the IT Service and the process for assessing and agreeing future IT priorities. This principle has been endorsed by the Corporate Management Team and each Resource will prioritise its IT requirements going forward.

4. **IT Services – Current Position**

4.1. ***Model, Structure and Staffing Levels***

4.1.1. IT Services is part of Finance and Information Technology Resources. It operates as the single Information and Communications Technology (ICT) service provider to the Council, covering all aspects of IT service delivery - applications, computer hardware, telephony, data networks, user training and support and an IT help centre, with a remit to provide quality business information, technical and systems support, and technological and business process innovation.

4.1.2. The principal driver for the structure of the Service is to produce a flexible and responsive organisation, which meets the varying and dynamic needs of the Council and Connect in a cost-effective manner. Whilst the provision and support of technology is one of IT Services' primary roles, ICT is itself simply a tool and, like all tools, needs to be used effectively to obtain the best return for the Council.

4.1.3. The establishment for IT Services is 160 FTE and this includes staff operating in Support Services, Switchboard, Help Centre and Smart Card Administration.

Section	Number of FTE
Directorate	2
Business Systems	87
Technology Services	46
Support Services	19
Strategy, Security and Standards	6
TOTAL	160

4.2. **Benchmarking Data**

4.2.1. The Audit of Best Value and Community Planning in 2009 highlighted that IT Services was effectively managed and delivered across all functions.

4.2.2. Benchmarking data from both the Society for IT Managers (SOCITM) and Best Practice professional indicators for comparable organisations has been used to determine the IT Services current performance against the standards and to assess whether there are any areas of under performance that have efficiency potential.

4.2.3. IT Services continue to compare well and outperform most UK Local Authorities in respect of PC costs, customer satisfaction levels, systems uptime, web services developments and project management implementation of new systems.

4.2.4. In respect of the diagnostic the following baseline figures have been compared with a Deloitte national benchmark of IT costs for similar public sector organisations in 2009.

Issue	Detail	Deloitte Local Authority Benchmark Metrics	Result
SLC IT Spend as a percentage of revenue	The cost of IT delivery is 1.28% of SLC's gross revenue expenditure and 1.25% of the net revenue expenditure.	2% of gross 5.6% of net revenue	SLC compare very favourably with the national benchmark.
The current number of staff required for delivery	160 employees currently deliver IT This is a ratio of 1 employee to every 97 users on SLC and Education networks.	1 IT employee per 40 users	SLC compare favourably with the national benchmark.
Split of effort between Keep the Business Running(KBR) and Project Activity'	The current split of SLC KBR 'business as usual' represents approximately 60% of the current IT effort. The remaining 40% of effort is spent on implementation of essential technology and Resource projects. This is the 'discretionary' element of resource capacity.	60% KBR 40% Projects	SLC are on average at a similar level to the UK benchmark.
Supported	IT supports some 170 Major Applications	500 – 600	SLC comfortably exceed

Issue	Detail	Deloitte Local Authority Benchmark Metrics	Result
applications	and Software of which 37 are deemed "Priority 1"	Applications	the national benchmark and this is a good indication that the work on 'sweating' our IT Assets is beginning to bear some benefit.

IT expenditure as a percentage of revenue expenditure

	Net £(000s)	Gross £(000s)
Revenue expenditure	636,827	855,897
IT expenditure	8,027	11,035
IT expenditure as a percentage of revenue expenditure	1.26%	1.29%

4.2.5. All the benchmark data that is available confirms that the IT service is cost effective with no significant underperformance. This confirms that the need to cut costs will result in a significant requirement to manage the demand for services down.

4.3. *IT Diagnostic - Process*

4.3.1. Workshops with each Resource Management Team were held to evaluate the strengths of the current delivery model and any inherent weaknesses. The single biggest strength associated with the model was the Resource and business alignment and Resources were very clear that this should be retained moving forward. This has therefore been incorporated into the proposed Target Operating Model (TOM). Resources also requested a simplification of the provisioning of 'commodity' IT items. This has also been provided for within the proposals by the establishment of an IT Service Centre.

As part of the briefings in relation to the efficiency agenda, workshops were held for all employees within IT Services during May 2010. A particular focus of these sessions was the required efficiency targets and the options available. It is clear that employees realise that to meet these savings targets then a reduction in the number of IT employees is inevitable.

4.3.2. The challenge is to be able to deliver a satisfactory service which addresses the priorities of the organisation with fewer people. This will not be the same service as is currently delivered and it will reduce IT Service's capacity for development and change enablement.

4.3.3. Section 5 addresses the implications of a reduction in IT Services development capacity.

5. **Service Needs/Demand and Capacity**

5.1. The proposed efficiency savings in terms of posts significantly reduce IT Services development capacity and this will require to be acknowledged across the Council.

5.2. Development activities are mainly focussed in the Business Systems grouping. The activities in this group can be split over two main categories – "keeping the business running" (KBR) that covers day to day support and new developments/projects.

- 5.3. The baseline figure for this grouping for KBR is 60%, with the balance (40%) being spent on development. Some development is legislative/mandatory and the balance has been traditionally driven by Resource developments in support of Connect and Resource Service plans and priorities.
- 5.4. If the requirement for KBR remains unchanged then the FTE available for development/change from Business Systems will reduce from 37 to 31 (6 FTE) in 2011/12. These figures also assume that KBR is constant, which is unlikely as major development projects such as i-procurement and EDRMS increase the requirement for KBR resource.
- 5.5. In order to deliver on the reduced capacity highlighted, improved corporate prioritisation of projects will be essential. A scheme for prioritisation has already been agreed by the ICT Programme Board for the 2010/11 IT Service Plan but this will require further development moving forward and the challenge for this group will be to gain consensus for prioritisation. Under this reduced capacity only essential or good business case projects can proceed.
- 5.6. This will require a strong commitment from each Resource to keep all solution deployment under the control of the ICT Programme Board and the formal remit of this group will be revised accordingly. There is clear evidence that not all projects are included within the Service Plans and that there is an expectation that unplanned developments can also be delivered. In the future it will be impossible to deliver projects for which there is no business driver that might be considered as “nice to have”.
- 5.7. The ICT Programme Board, and, by association, Resource Senior Management Teams, will see a significant reduction in the number of people available to deliver their Service Plans. Business Teams will not be exclusively allocated to the support of specific Resources and Service Areas as greater flexibility and sharing of resources will be required.
- 5.8. IT Services are already committed to programmes of work that are impacted by existing contracts, development programmes, application upgrades and software and security compliance. It is essential that all commitments are identified, assessed and agreed within the context of diminishing IT resources and capacity.
- 5.9. In the short to medium term, i.e. the period 2011-2014, the priority for resourcing of new developments is likely to focus on the following:

Development Area	Examples
Projects with a clear Statutory and Legislative element	National and Local Elections, Social Work SWiSplus Developments, Payroll Changes.
Projects with a clear link to Connect	Primary Schools Modernisation Programme
Completion of existing Corporate development programmes	i-Procurement, People Connect, IMPROVe, Web Services, EDRMS.
Work to support SLC Customer Services Strategy	CRM Development, Web Development, Channel Shift, Call Centre developments, Business Change.
Work to support SLC Asset Management Strategy	Implementation of technology to support Mobile and Flexible Working, Staff re-locations.

Contract Re-tenders	<ul style="list-style-type: none"> • SLC Desktop Services • SLC Server Hardware and Support • Communications • Education ICT Provision
Essential Technology Upgrades	Enterprise Systems such as HR/Payroll and Financials Main Line of Business Applications Core Infrastructure
Charging Policy Revision	<ul style="list-style-type: none"> • Income Management • Debtors • SWiSplus

5.10. The fundamental objective will be to accurately forecast/estimate demand and match against available capacity.

5.11. The balance of the staff savings for 11/12 will come from the Support Services Section – 2 posts.

6. Summary of Staffing Reductions

6.1. The table below summarises the staffing position across IT Services and highlights the staffing reductions to be delivered as part of the efficiency targets for the period 2010/11 to 2011/12. The following table shows the staffing impact of the required efficiencies.

Section	2010/11		2011/12	
Directorate	2		2	
Business Systems	92		86	
Technology Services	47		47	
Support Services	19		17	
TOTAL	160		152	

6.2. This represents 8 FTE which relates to a reduction in the IT establishment of 5%.

6.3. The balance of savings/efficiencies in the year 11/12 will be met from contract efficiencies and an increase in income.

6.4. Given the current levels of organisational change, and the likely requirement to identify further efficiencies beyond 11/12, it is recommended that a further review of the ICT Service is undertaken in 12/13 for implementation in 13/14. Any further reduction in establishment to meet these future efficiencies will be a critical input to the further review.

7. Implementation

7.1. The proposed structural changes can be implemented next year noting the recommended further review in 2012/13 highlighted at 6.4 above.

7.2. Managers and Employees affected by this review will be consulted to ensure the arrangements put in place best reflect the needs of the Council and the workload demands and priorities.

7.3. The ICT Programme Board will be advised of the proposals and will have a key role in the successful implementation of these proposals

7.4. A revised remit for the ICT Programme Board will be developed to ensure that all potential projects are channelled through the relevant member and reported to the board.

7.5. Existing governance roles will continue with the reporting of the IT Service Plans on an eight weekly basis.

8. Other Efficiency Releasing Work Streams

8.1. The report so far has focussed on delivering savings from the staff budget. There are a significant number of other work streams which address the original remit of the ICT Diagnostic and will deliver support to the staff reduction or efficiencies in their own right.

8.2. These other efficiency releasing savings are summarised below. Where there is a contribution to staff release the estimated figure is in brackets.

- Shared Services – SLC Data Centre
- Shared Services – HR/Payroll Application Provision
- Power Management
- Alternative Desktop Operating Systems and Office Productivity Solution
- Printer Reduction
- Desktop Virtualisation
- Maximising Use of Software Assets

8.3. Further detailed information on these work streams is available.

9. Employee Implications

9.1. Employees will require to be competitively matched, redeployed or released, to facilitate the structural changes proposed. This will be undertaken in accordance with the Council's Collective Agreement and Matching Process.

9.2. The total number of posts involved for 2011/12 is 8. Corporate HR input will be required to manage the reduction of posts. The vehicles to facilitate the reduction in head count must take account of the specific skills and aptitude of experienced IT professionals.

10. Financial Implications

10.1. The total efficiency saving for IT Services for the period 2011/12 is £959,000.

10.2. The staff savings are on line 1 of the table below. The second line of the table shows the further efficiency savings of £611,000 of non staff costs that will be met from other initiatives such as Income from the Caird Data Centre.

The efficiencies are summarised in the table below:

Efficiency Target	2011/12
Staff	£348,000
Other	£611,000
TOTAL	£959,000

10.3. Severance costs will be met from a combination of IT budgets and central budgets. Exact costs and savings will not be possible until the competitive matching process has been completed.

10.4. These savings have been input to the relative scoring matrix to rank the proposals and the risks associated with each saving (Executive Committee 16 December 2010).

11. Other Implications

11.1. There are a number of significant strategic and operational risks associated with the revised model. A formal risk register will be established following approval of this report and this will be reported to the ICT Programme Board. A risk assessment has been undertaken in respect of the structural proposals and is available. This will form the basis of the formal risk register.

12. Equality Impact Assessment and Consultation Arrangements

12.1.. An equality impact assessment is in the process of being completed but will not be finalised until the detailed Personnel arrangements have been agreed. The Council will need to ensure that their equality obligations are met and no adverse impact is achieved.

12.2. Consultation with Trades Unions has taken place. Further consultation will be required should future government settlements require additional savings beyond the figures within this report. Consultation with Resources has taken place.

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Archibald Strang
Chief Executive

20 December 2010

Link(s) to Council Values/Improvement Themes/Objectives

- ◆ Accountable, effective and efficient

Previous References

- ◆ Report to Performance Review and Scrutiny Review Forum 26 October 2010

List of Background Papers

- ◆ IT Diagnostic Terms of Reference
- ◆ IT Diagnostic – Project Highlight Reports

Contact for Further Information

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

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