Executive Decision Report

| | | |
|---|---|---|
| **Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken** | Leader of the Councillor - Councillor Nicholas Botterill<br><br>Date of Decision: 10th December 2012 | h&f hammersmith & fulham |
| | | THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA |
| | Cabinet Member for Finance & Customer Services - Councillor Caplan<br><br>Date of Decision: 15th November 2012<br><br>Executive Decision Reference: 91 | City of Westminster |
| **Report title (decision subject)** | **TRI-BOROUGH ICT STRATEGY** | |
| **Reporting officer** | Jane West, Executive Director, Finance & Corporate Governance, Hammersmith & Fulham Council<br><br>Nicholas Holgate, Town Clerk and Executive Director of Finance, Royal Borough of Kensington & Chelsea<br><br>Barbara Moorhouse, Chief Operating Officer, Westminster City Council | |
| **Key decision** | Yes | |
| **Access to information classification** | Public | |

## 1. EXECUTIVE SUMMARY

1.1 This report seeks the Cabinet's approval for the tri-borough ICT strategy and the funding of a contribution to the costs of undertaking the procurement of key elements of tri-borough ICT provision, a programme that should lead to significant cost reductions in ICT across the three boroughs and is a key enabler for savings in the delivery of services.

## 2. BACKGROUND

2.1 As part of the tri-borough arrangements, Westminster City Council, the London Borough of Hammersmith and Fulham, and the Royal Borough of Kensington and Chelsea propose to work as strategic partners on a number of different fronts to streamline services and deliver savings. The new tri-borough shared services are critically dependant on ICT for their delivery and for the delivery of the savings from the programme.

2.2 Joint working demands joint support service provision. Currently, the three boroughs have different ICT service arrangements. RBKC has a largely in-house service whilst H&F have a strategic partnership with Agilisys which supplies the ICT service through Hammersmith & Fulham Bridge Partnership until November 2016. WCC has largely outsourced this service previously but those contract arrangements are coming to an end in November 2014.

2.3 This paper presents an update on the work being done to identify future options for the ICT infrastructure and service across Tri-Borough.

2.4 The importance of a Tri-borough ICT Strategy to the future successful delivery of efficient and effective Tri-borough services can hardly be over-estimated. The collection of hardware, software and networking capability that makes up today's information and communication technology is becoming increasingly integral to the way we do business.

2.5 When computers were first introduced they replaced high volume clerical and manual processes in areas like finance. The evolution of personal computers widened access and with the development of office and business specialist applications, computer systems became a component of all areas of work. Developments in the Internet and web sites changed the way in which organisations were able to interface with their customers, other organisations and the outside world generally. More recently developments in mobile devices and Internet access are making more flexible working possible. As mobile devices become more sophisticated and widely adopted for personal use there is a trend towards a merging of personal and business computer use.

2.6 Tri-borough working is expected to see a move to a broader commissioning role for services across the three authorities and an increase in service delivery work with a range of partners. There is likely to be an increase in mobile and flexible working and a move to more customer self service via the web. All these changes will depend on ICT to make them work effectively and require a Tri-borough ICT service that can respond quickly to business needs and can be adaptable and scalable to changing demands.

2.7 It is therefore surprising that, while ICT is becoming ever more integral to the way we do business, benchmarking data from the Society of IT Managers (Socitm) for RBKC and H&F show a general trend downwards in ICT spending.

**ICT spending as a percentage of the overall revenue budget (Socitm Benchmarking data)**

| | H&F | RBKC | Benchmarking Median |
|---|---|---|---|
| **2001/02** | 3.3% | 4.39% | 2.04% |
| **2010/11** | 3.01% | 3.01% | 2.16% |

2.8 This is undoubtedly because ICT infrastructure has become cheaper over time. Even though councils have automated more of their business, the overall proportion of public money spent in ICT has fallen. It is this observable fact, plus economies of scale by working as Tri-borough, that led Gartner to conclude in a recent study commissioned by Tri-borough, that there are savings of approximately £3 million to be achieved by implementing a Tri-borough ICT Strategy.

## 3. RECOMMENDATIONS

3.1 To approve the Tri-borough ICT strategy in Appendix 4.

3.2 To approve the establishment of a single Tri-borough ICT service under a single Tri-borough Director of ICT by 1 July 2013.

3.3 To approve the establishment, over time, of a 'retained ICT function' within the new, single Tri-borough ICT service

3.4 To endorse the approach for the ICT provision procurement set out in section 7.

3.5 To approve funding of £278,400 from WCC and H&F and £139,200 from RBKC to support the procurement process.

## 4. GARTNER FINDINGS

4.1 Gartner were engaged to help the boroughs assess viable options for the future tri-borough ICT service. They assessed the strategic tri-borough

business plans and used them to develop a set of ICT transformation principles listed as 1-7 below. These principles were used to validate a set of viable options for ICT service delivery against their ability to deliver against these principles. Officers have subsequently added a further principle listed as 8 below.

**ICT Transformation Principles**

| | |
|---|---|
| 1 | All Tri-Borough ICT decisions will be governed by and sourced through a Tri-Borough ICT board |
| 2 | During transition and transformation of Tri-Borough ICT, business as usual must be maintained |
| 3 | Standardised and common ICT services - when utilised across all councils at a Tri-borough level - will achieve greatest cost savings for ICT |
| 4 | To enable Tri-Borough working to achieve its business goals, ICT must have a strong relationship with the business and delivery partners |
| 5 | Any ICT Service should be sized for foreseeable Tri-Borough demand and provide greater value for money, be adaptable and able to be responsive to the changing needs of the business |
| 6 | The Future ICT model must retain and enhance Tri-Borough knowledge and capability |
| 7 | Service components that are not customer facing should be considered as Tri-Borough |
| 8 | The ICT service and infrastructure should be designed to take account of an emerging business landscape with a large number of potential partners and providers including small, voluntary and independent providers |

4.2 Gartner summarised the key messages from their work as follows:-

**Key Finding:** The amount of business change at a Tri-Borough level is likely to be large and will require massive change in the next 5 years. This is currently being developed in business division silos. There are Common Business Requirements across Business Services, though these are not yet a focus.

- **Conclusion 1:** Gartner believes there are greater savings available than the possible £3 million[1] reduction in ICT costs alone - through a new, single ICT service enabling the wider rationalisation of Tri-Borough business services.
- **Conclusion 2:** The significant business savings cannot be achieved without a single and business aligned Tri-Borough ICT organisation
- **Recommendation 1:** Governance needs to be at a Tri-Borough level and lead by the business services.
- **Recommendation 2:** Organisation and service design should be the next step to ensure Tri-Borough ICT planning and procurement is effective and informed.

[1] Although Gartner quoted £1-2 million in Conclusion 1 in their report, they identified savings of £3 million and assumed that £1-2 million would be re-invested in the service.

- **Recommendation 3:** The design step should develop an ICT service which provides business value alongside cost efficiency – there are some decisions yet to be made on the options to either outsource or manage in-house.

- **Recommendation 4:** Gartner believes there are greater savings available through enabling the rationalisation of business services - this requires a shift from project focus to a benefits focus at programme level.

- **Recommendation 5:** Start competitive processes for WCC and include Tri-Borough ICT requirements to ensure any procurement is effective and informed

- **Recommendation 6:** Gartner recommend the three Council ICT units must agree the definition of overall "value" and in a consistent way that is in the context of business services and business priorities they should be aligned to.

4.3 Gartner helpfully divides the ICT service into seven service towers, plus a retained ICT function, as a starting point for any Target Operating Model. The service towers are set out in Appendix 1 and include:-

- The help desk
- Specialist functional applications
- Standard business applications
- Distributed computing (desktops and associated services)
- Voice and telecom
- Data network
- Data centre.

4.4 While the ICT service across the councils is expected to make its own savings, Gartner points out that ICT will also be integral in enabling the delivery of future business changes and savings. This must not be compromised by any change programme.

4.5 Based on both cost profiling and the best fit to the ICT principles, Gartner have recommended a hybrid model for delivery of the ICT service with some services outsourced and some managed in-house. In addition to service delivery, it is recommended that the retained ICT function includes what is sometimes termed an 'intelligent client' role.

4.6 In Gartner's view, neither pure internal delivery nor full outsourcing is the long term solution where organisations face challenging business requirements for increased flexibility and lower cost, increasing ICT complexity and rapid change. In their view, a hybrid solution needs to be developed that takes the best of both models allows us to balance these demands.

4.7 When a service is outsourced, it is common to have a small retained organisation which acts as an interface between client and supplier to ensure a specified quality of service. The intelligent client retains sufficient technical knowledge of the services being provided by a third party to design, specify requirements competently and manage delivery of the services. The intelligent client also maintains a strategic approach to sourcing - as technology and business needs change.

4.8 In addition to this function, part of the intelligent client is service focussed - helping to scope and deliver service improvement and ICT-enabled business change – drawing on outsourced services where needed. This is a key component of the proposed hybrid model which will enable the new ICT service to meet the needs of the business for ICT enabled transformation.

4.9 A diagram showing the format of this hybrid model is shown in Appendix 2.

4.10 The areas that could be covered by the retained ICT function include:-

- Enterprise Architecture
- Security and Information Assurance
- Solution Assurance
- Contract and Supplier Management
- Business Relationship Management
- ICT Strategy and Planning
- Financial Management

4.11 Gartner recommended a hybrid service delivery model focusing on the outsourcing of areas such as 'commoditised' infrastructure where there is a good business case with potential for significant savings identified and an in-house service which has a customer and business transformation focus as well as a client role. There is clearly a 'grey zone' between these two categories where there is a choice as to whether to outsource or host in-house.

## 5. TRI-BOROUGH ICT STRATEGY

5.1 The ICT community has been working with the other services to understand how Council services are likely to evolve over the next three to five years and what this means for the ICT services across the Tri-borough. They have also considered how ICT suppliers are likely to change in the future in the way they wish to do business eg the move to ICT as a commodity rather than a bespoke service. The findings of the Gartner Review have also been subject of much debate across Tri-borough.

5.2 The culmination of this work is the first Tri-borough ICT Strategy which is attached at Appendix 4. In summary, the councils have set a strategic vision for aligning their ICT services that seeks to:

- maximise business opportunities from technological change
- consolidate and streamline the overall ICT service
- maintain ICT services during transition of the business.

5.3 The Tri-borough ICT Strategy details the approach which Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea, and Westminster City Councils will take to ICT enablement of Tri-borough and Bi-borough services.

5.4 WCC uni-borough services and their ICT Strategy are not in scope for this Tri-borough ICT Strategy except where this addresses commodity ICT services. This approach allows business areas remaining as uni-borough services to

retain sovereignty in the commissioning and consumption of ICT services, choosing from either a Tri-borough ICT service or having the option to develop their own applications and ICT service for these uni-borough areas from their host ICT service.

5.5 Gartner concluded that the Tri-borough councils should move to a new, single Tri-borough ICT function in order to realise the full benefits of a shared ICT Strategy. This conclusion has support across the Tri-borough councils. It is therefore recommended that the three Cabinets give their approval to the establishment of a new, single Tri-borough ICT service under a single Tri-borough Director of ICT by 1 July 2013.

5.6 Gartner also introduced the concept of a 'retained ICT function' that would act as an intelligent client, own the ICT Strategy, enterprise architecture, security, supplier and business relationships and provide assurance. This has been recognised across the Tri-borough councils as representing best practice and has been built into the proposed Tri-borough ICT Strategy. This is a departure for H&F which has this function currently outsourced. It is recommended that the three Cabinets give their approval to the establishment, over time as contractual arrangements allow, of a new 'retained ICT function' within the new, single Tri-borough ICT service, possibly from 1 April 2014.

5.7 The three Tri-borough Cabinets are asked to approve this first Tri-borough ICT Strategy document. However, ICT Strategy constantly evolves and that is even more true where the strategy is supporting a business model, Tri-borough, which itself is evolving fast. It is envisaged that regular, probably annual, updates will be required to the strategy.

## 6. TRI-BOROUGH ICT TECHNICAL BLUEPRINT

6.1 One of Gartner's key recommendations is that the three councils undertake some technical design work before going to the market. The aim is not to undertake a detailed technical design but to specify in sufficient detail the future technical blueprint that will inform the imminent and any future procurements and set a clear technical direction for a cohesive infrastructure. The output of this technical design will be a technical blueprint, a set of technical design principles and a technical architecture.

6.2 This work will cover all the service towers. It will need to take account of and collaborate with ongoing work to develop a more cohesive network, enable access to business applications across the three councils and contribute to the specification that is being developed by Westminster for the procurement. By setting out an agreed path towards a common technical architecture, this will reduce the risks for potential bidders for the larger ICT service provision and therefore reduce the costs for the three councils.

6.3 The councils have appointed Fordway to provide an impartial recommendation and an optimal design to give a framework within which future IT decisions can be made which will ensure future integration of ICT systems, processes and information as well as value for money. The design will also highlight areas of work to undertake prior to transition to new

management arrangements with a view to simplifying the transition and reducing the costs involved. This commission will cost £47,500 (£15,833 per council).

## 7. TRI-BOROUGH PROCUREMENT STRATEGY

7.1 The other immediate concern is that WCC's outsourced ICT services that are provided by Serco (which recently acquired Vertex) come to the end of their contract in November 2014 and therefore need to be re-tendered. Given the Tri-borough ICT Strategy, it is vital that this procurement is undertaken on a Tri-borough basis to provide the flexibility for services to be aligned eg at the end of H&F's HFBP contract in November 2016.

7.2 It is recommended that the procurement strategy should be to tender contracts that will be available for all three boroughs covering the following areas:-

7.2.1 Distributed Computing
7.2.2 Data Centre Services
7.2.3 Service Desk
7.2.4 Service Integration and Management

7.3 There are already contracts in place covering Security Services, Voice & Telecom and Data Networks which can be accessed by all three boroughs.

7.4 It is proposed that the procurement is led by WCC but with the other two boroughs playing an active role in choosing the eventual suppliers. It is proposed to use the restricted tender process which will commence early in the calendar year 2013. This gives sufficient time between now and then to draw up a detailed specification using the technical blueprint described in section 6. Contract award would be by early 2014 in order to allow a nine month transition to November 2014 for WCC. The contract would be available for H&F when their contract with HFBP concludes in November 2016. RBKC can choose whether or not to join at any time once the contracts are in place. See Appendix 3 for timeline with key milestones.

7.5 A budget of £696,000 is required to undertake the procurement exercise. This will cover a project manager, specialist ICT advice, legal advice and procurement advice. A suitable methodology will be required to apportion this expenditure between the three boroughs. In the first instance WCC and H&F should budget to fund 40% of the cost (i.e. £278,400) each given that RBKC is most likely to draw down only two of the four services. RBKC should budget to fund 20% of the cost i.e. £139,200.[2]

[2] The likelihood that RBKC will not draw down all the frameworks reflects Gartner's view as to where the bulk of the savings lies; the broad equivalence of costs across the three boroughs in last year's cost baselining exercise; and RBKC's current view that the in-house provision can add more value with greater agility and knowledge of the business at lower risk than through an outsourced alternative.

7.6 It should be noted that it is likely that there will be TUPE implications for staff at RBKC, WCC, HFBP and Serco. This will need to be considered as part of the procurement strategy.

## 8. REASONS FOR DECISION

8.1 Cabinet endorsement of the direction of travel is required from all three boroughs to enable some of the key components to be put in place, especially the new, single Tri-borough ICT service with a retained client function and the procurement strategy.

## 9. EQUALITY IMPLICATIONS

9.1 There is considered to be little or no impact on equality as a result of the issues in this report.

## 10. LEGAL IMPLICATIONS

10.1 Procurement of consultants and the ICT services will need to be carried out in accordance with EU procurement rules and the three Councils' contract standing orders.

## 11. FINANCIAL AND RESOURCES IMPLICATIONS

11.1 The Tri-borough Corporate Services Programme predicted in 2011 that savings of £3 million should be deliverable from the ICT function alone by 2015/16 by bringing ICT services together. This total has been verified by Gartner, albeit using a different approach.

11.2 Costs will be incurred in developing a new, single Tri-borough ICT function but in reality many of these costs would have been incurred if the boroughs had continued with single ICT functions. A good example is the cost of the procurement strategy. This is estimated to require funding of £696,000 for the three boroughs but all three councils would have required procurement funding as existing contracts fell for renewal or new commoditised services were accessed e.g. data centres.

11.3 It is recommended in the report that WCC and H&F provide £278,400 each and RBKC provide £139,200 towards the cost of the procurement strategy reflecting the likely usage of the contracts.

11.4 There will also be a need for transition costs but these will depend on what services are drawn down from the contracts and when. Some of these costs are likely to be funded by existing ICT investment budgets in the three boroughs.

## 12. CONSULTATION

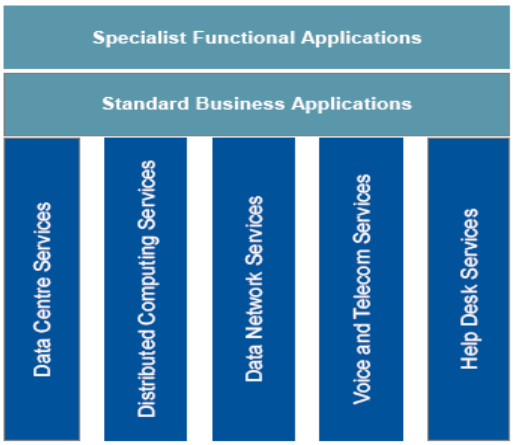
12.1 There is no legal requirement to consult with the public.

12.2 Staff will need to be consulted on the development of the new single ICT function. The Tri-borough Corporate Services Programme 'Develop' methodology will be used which includes extensive opportunity for staff consultation from the very early stages as well as the final formal reorganisation process.

**Local Government Act 1972 (as amended) – Background papers used in the preparation of this report**

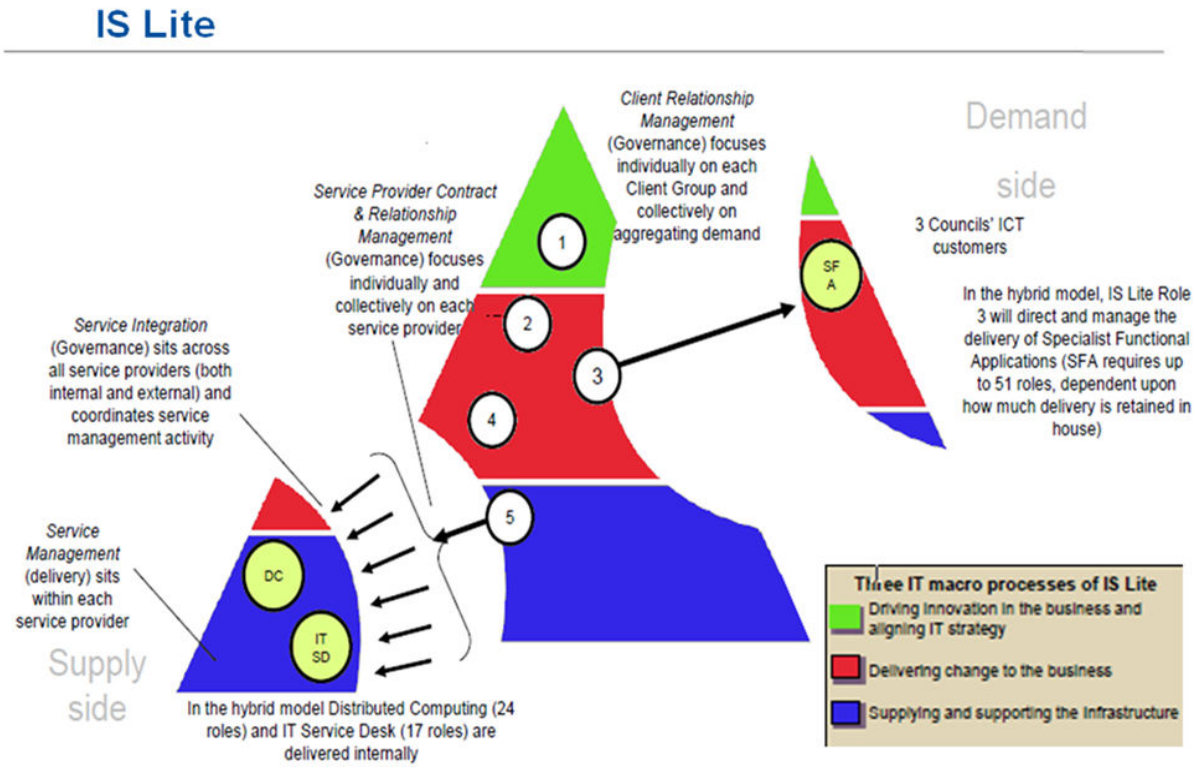
| Background Papers | Held At | Contact |
|---|---|---|
| Gartner Review | 3rd floor, Hammersmith Town Hall | Jackie Hudson 0208 753 2946 |

## Appendix 1 - ICT Service Towers (copyright Gartner)

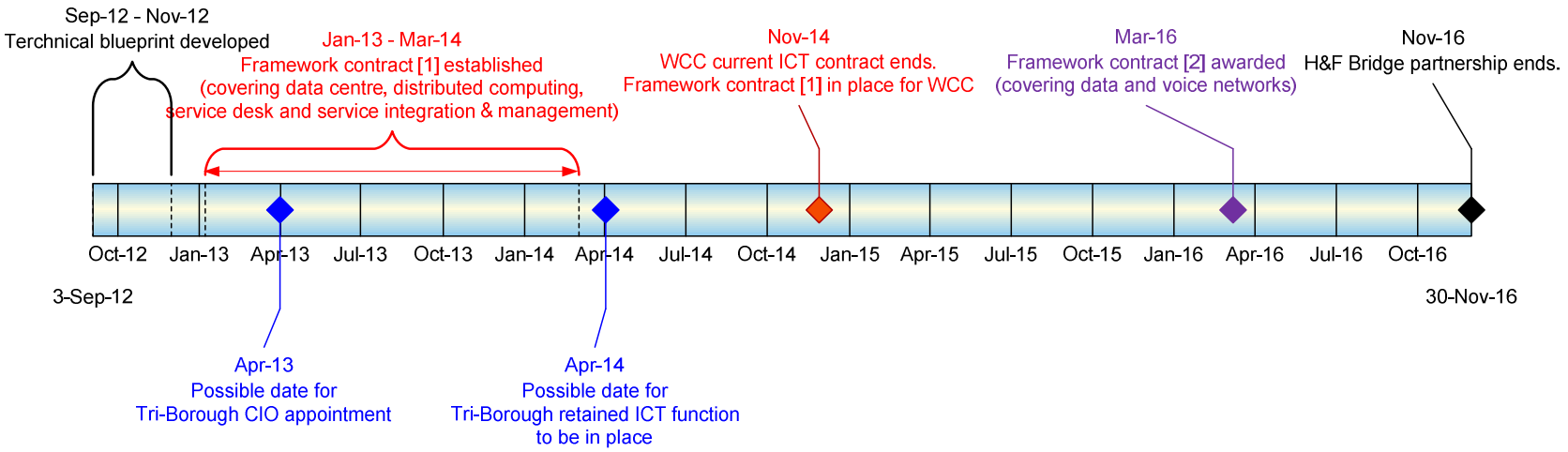



| | | |
|---|---|---|
| 1 | Help Desk Service | Personnel, hardware and software required to manage calls, such as PBX, Automated Call Distribution (ACD), service desk client & peripheral devices as well as service desk application servers. |
| 2 | Specialist Functional Applications | Applications that have functionality which is specific to the three Councils. For example, Children's' Services, Adult Social Care, Libraries |
| 3 | Standard Business Applications | Such as Finance and HR systems. These are being considered separately as part of the Tri-Borough Managed Services Programme. |
| 4 | Distributed Computing | Desktop, laptop, thin client, tablet, and handhelds, and associated user client and messaging software. |
| 5 | Voice and Telecom | Voice premise technology and Wide-Area voice network. Hardware includes Wide-Area Voice Hardware — Switching and routing as well as terminating hardware, and telephone system equipment, but excludes smart-phone devices. |
| 6 | Data Network | WAN, MAN, LAN, Internet Access Services (IAS). Security hardware and software, transmission, and network operations are also included. |
| 7 | Data Centre | Mainframe, Unix, Wintel, Storage plus any other platform running in the data centre. This tower also includes disaster recovery, software licenses, and inter- and intra-data centre connectivity. |

## Appendix 2 - Hybrid model for ICT service delivery (copyright Gartner)



## Appendix 3 – Timeline showing key milestones



## Appendix 4 – Tri-borough ICT Strategy (Version 1.17b)

Tri-Borough ICT Strategy v1.17b.doc

[