

FUTURE SHARED ICT PROVISION

Executive Summary

1. Prior to this paper detailed work has already been undertaken on exploring an MKIP ICT partnership which involved looking at a range of operational and financial information, seeking the views of key stakeholders and exploring different models of operation.
2. Following a final paper in October 2011 Management Board was satisfied in principle with a recommendation of a shared service model and requested that an Interim Head of ICT be appointed to develop the business case further and develop a strategy for a shared service.
3. Work has been undertaken since then to develop a strategy, staff structure, operational plan as well as establishing expected savings.
4. In developing these proposals over the past six months discussions have taken place with leading members, officers and staff, as well as reviewing a range of documents and plans.

5. Strategy

- 5.1. In order to develop an MKIP ICT strategy a broad set of strategic priorities for the authorities needed to be identified, after reviewing the councils key plans and strategies these broad priorities are:
 - Communities
 - Economy
 - Customer Care
 - Value for Money
- 5.2. A draft strategy – Living, Working, Sharing and associated draft operational plan have been developed. These set out the ten year objectives and actions to deliver the service and meet the shared priorities and the services of the MKIP authorities.
- 5.3. The operational plan has been developed by aligning the three current ICT delivery (or service) plans and the actions for effective development of the shared service infrastructure.

6. Staffing

- 6.1. A key objective of this project was to create resilience within the ICT service. The staffing structure has been developed using ITIL (IT Infrastructure Library) management standards whilst creating generic teams which provides this resilience whilst also increasing the sharing of skills and maximising the capacity of the service.
- 6.2. Evidence from other shared service delivery models both within MKIP and outside has shown that bringing teams together under one set of employment terms and conditions enables improved management, staff flexibility, retention and accountability. With this in mind it is proposed that a consolidated ICT team is created under the employment of one partner authority, to be selected by MKIP Management Board. Staff will be transferred to the 'host'

authority under TUPE. It is estimated that TUPE and the new structure could be in place by April 2013.

7. Finance

- 7.1. In order that increased value in ICT spend can be driven by the shared service this paper proposes that all revenue budgets associated with ICT are managed under delegated authority by the Head of MKIP ICT.
- 7.2. In addition recognising that capital spend is an important area for ICT development it has been recommended that an investment fund is created with delegated authority given to the Head of MKIP ICT. To meet the demands of longer terms investment it is recommended that option three is chosen and that the authorities contribute £100k in the first year. Any further funding bids for capital will be subject to the standard funding processes.
- 7.3. This will ensure that investment in the consolidation of hardware and software across the partnership will be subject to ongoing careful and considered analysis by the Head of MKIP ICT, MKIP Programme Manager and ICT board.

8. Savings

- 8.1. The emerging partnership has already been able to make savings of £172k in 2012/13 helping individual authorities meet budget saving requirements.
- 8.2. Once the proposed structure is fully implemented the planned staffing reduction over the next three years is a further 3.7 FTE's and this will provide further savings of £179,000. The structure may be subject further changes in the following six years.
- 8.3. For non staff savings the figures have been calculated based on the software, hardware maintenance and consumables budgets using a conservative estimate of 20%. These savings will delivered using a staged approach delivering 5% savings in 2012/2013 – £69,000 rising to 20% in 2014/2015 – £274,300.
- 8.4. The average total net savings per year would equate to around £371,000 over the next ten years

8.5. Partnership with KCC

- 8.6. A wider strategic shared service agreement has been proposed with Kent County Council. To achieve this it is essential for KCC to be involved at all the key decision points where it may be identified that there are partnership opportunities, to that end a draft Memorandum of Understanding has been developed which sets out this agreement.

ICT Shared Service Business Case

1. Issue for Decision

- 1.1. To consider the proposals for a shared ICT service provision covering the Mid Kent Improvement Partnership area and to agree the next phase of work.

2. Recommendation of the Interim Head of Partnership

- 2.1. That Cabinet agree:-

1. That MKIP enter into a ten year ICT partnership as defined in the collaboration agreement with a full review (to include future options and funding arrangements for the service) after a 5 year period.
2. That a Head of MKIP ICT is appointed to lead the new shared service and;
3. That:
 - a) The vision, strategic direction and three year operational plan (Appendix F) is endorsed
 - b) The MKIP ICT staffing structure (Appendix E) is approved and that delegation for varying the structure be given to Head of ICT Partnership in discussion with the Leaders.
 - c) Staff are transferred to a host partner using TUPE after full consultation and that the Chief Executives and Leaders are given delegated authority to decide on the most appropriate host authority.
 - d) All ICT revenue budgets are consolidated and administered by the Head of MKIP ICT under delegated authority.
 - e) An ICT capital fund of £300K is created to support the strategy using Option three as highlighted in section nine of this report with each authority providing £100K capital in the first year with future capital funding approved as part of the formal capital bidding process in each authority.
 - f) A strategic alliance between MKIP and Kent County Council through a MOU (appendix I)

3. Introduction and Background

- 3.1. ICT is a key building block in the establishment of further shared services and a factor in ensuring the success of those shared services already in place. Each authority produces their own ICT related policies but a partnership offers an opportunity to develop a single voice and contribute effectively to the County agenda. Exploring options for pursuing a partnership arrangement was therefore identified by the MKIP Management Board as strategically sound.
- 3.2. Substantial work has been undertaken to date on assessing the best model for partnership working. This included exploring an outsourcing model which would have enabled initial savings of 35-40% but wouldn't have offered the opportunity of ongoing savings. It was

therefore discounted at this time though it was noted that this could be considered at a later date.

- 3.3. The project has demonstrated however that there are opportunities to transform the way the service is provided within all the authorities through the shared service model. Through providing resilience and also average savings¹ in the region of £3.71M (£371,000 per annum) across the three districts over the next ten years.
- 3.4. Following the decision to develop a shared ICT business case, MKIP Management Board agreed:
 - (a) That the three authorities agree to establish a shared ICT service initially for a period of 10 years and with appropriate review points;
 - (b) That the shared service will collaborate with Kent County Council (via a memorandum of understanding recognising them as a strategic partner) and possibly other partners. This would include participation in and contribution to ICT projects that improve the value for money and resilience of the shared service;
 - (c) That an Interim Head of ICT is appointed to produce a joint outline ICT strategy for the future service for adoption no later than April 2012, refine the business and financial models for the delivery of a shared service (developed during the options appraisal), and produce a collaboration agreement to enable implementation commencing in April 2012;
 - (d) That the baseline revenue budgets used in the financial modelling i.e. costs and savings calculations are those for 2012/13 (once finalised through local budget setting processes) and that each authority has the option of independently reviewing and amending its current revenue spending as part of the normal budget preparation. In particular current ICT vacancies in each authority will be excluded from the revenue baseline;
 - (e) That any savings that accrue from the ICT Shared Service will be divided according to the current and future investment made by each authority, including both revenue and capital spending; and for the initial creation of the shared service savings allocations to be based on the 2012/13 revenue budgets excluding recharges for ICT in each of the boroughs;
- 3.5. An interim Head of ICT was appointed in December 2011 and, with members of the project board, has analysed the current strategic ambitions of all MKIP partners. Discussions with politicians and officers have provided an insight into how each authority recognises the risks, challenges and rewards of consolidating the ICT service.
- 3.6. In addition to MKIP partners, the team have engaged with other public and private sector organisations to discover best practices in shared service provision. Consultation with East Kent Services and CenSus (two well established partnerships in the south east) together with ICT suppliers (Dell, HP, Trustmarque) has helped in the formulation of the proposed ICT strategy attached to this report.
- 3.7. All of these aspects have now been considered and this paper aims to determine the overall objectives for ICT as the service moves forward. The aim of the draft strategy and draft operational plan is to encompass the overall priorities of all MKIP partners and should therefore be relatively easy for partners to envisage how the consolidated service will meet their operational and strategic needs.

¹ This includes staff and non staff savings

4. Strategic vision

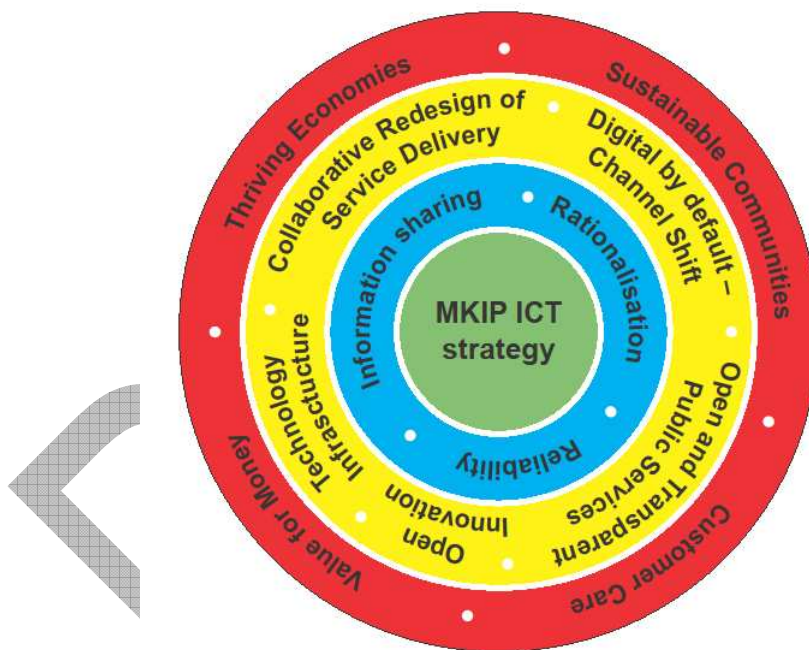
4.1. The Vision of MKIP ICT is to provide:-

Innovative technology that creates empowered communities and ensures seamless public services

4.2. The Mission of MKIP ICT is in partnership to provide:-

Excellent ICT solutions that enable business priorities to be delivered.

4.3. The draft MKIP ICT Strategy, Living Working Sharing, and associated draft operational plan set out the ten year objectives and actions to deliver the above mission. The draft strategy (Appendix H) covers the strategic ICT issues that MKIP will need to consider in the next ten years.



5. **Operational Plan**

5.1. The strategy will be underpinned by an operational plan (Appendix H and Ha that has been developed by aligning the three current ICT delivery (or service) plans and the actions for effective development of the shared service infrastructure.

5.2. This will include:

- A joint telephony system;
- A shared contact centre;
- A shared CRM system;
- Software and hardware consolidation
- ICT policies and security
- Data sharing protocols; and
- Trading/expansion.

5.3. The operational plan has been linked with the MKIP programme of work which is currently under development by the MKIP Programme Manager. These plans will provide a suite of documents which should enable MKIP Management Board to effectively plan future partnership working.

5.4. The transition plan to deliver the shared service can be seen at Appendix Hb. Based on the experience of other MKIP shared services, support will be required as part of the implementation of this service from the following teams

- HR,
- Finance
- Policy and Performance
- Business Development Unit and/or Business Improvement Team
- Legal
- Programme Manager
- Communications

5.5. The implementation costs for this support have been split as follows:-

• Redundancy & Pension costs ²	£104,000
• Business Development Unit / Business Improvement team	£ 10,000
• HR	£ 10,000
• Legal Services	£ 10,000
• Communications	£ 2,000
• Project Tolerance	<u>£ 18,000</u>
	£154,000

5.6. These costs have been split between the authorities based on the level of investment as set out in Appendix B.

6. Partnership engagement

6.1. Meetings have been held with Members and Chief Executives throughout the project to gain an understanding of each authority's priorities. In addition to this stakeholder groups were formed to better understand the user's perspective both operationally in terms of service delivery and strategically in terms of future priorities and service delivery models.

6.2. MKIP partners have a number of key strategic documents that clearly state the priorities of each individual authority. Each partner has developed strategic priorities with the delivery of public services to the local community in mind. Although the terminology and action plans associated with each strategy are different, a broad set of priorities can be clearly identified.

² These costs are based on estimates as at June 2011

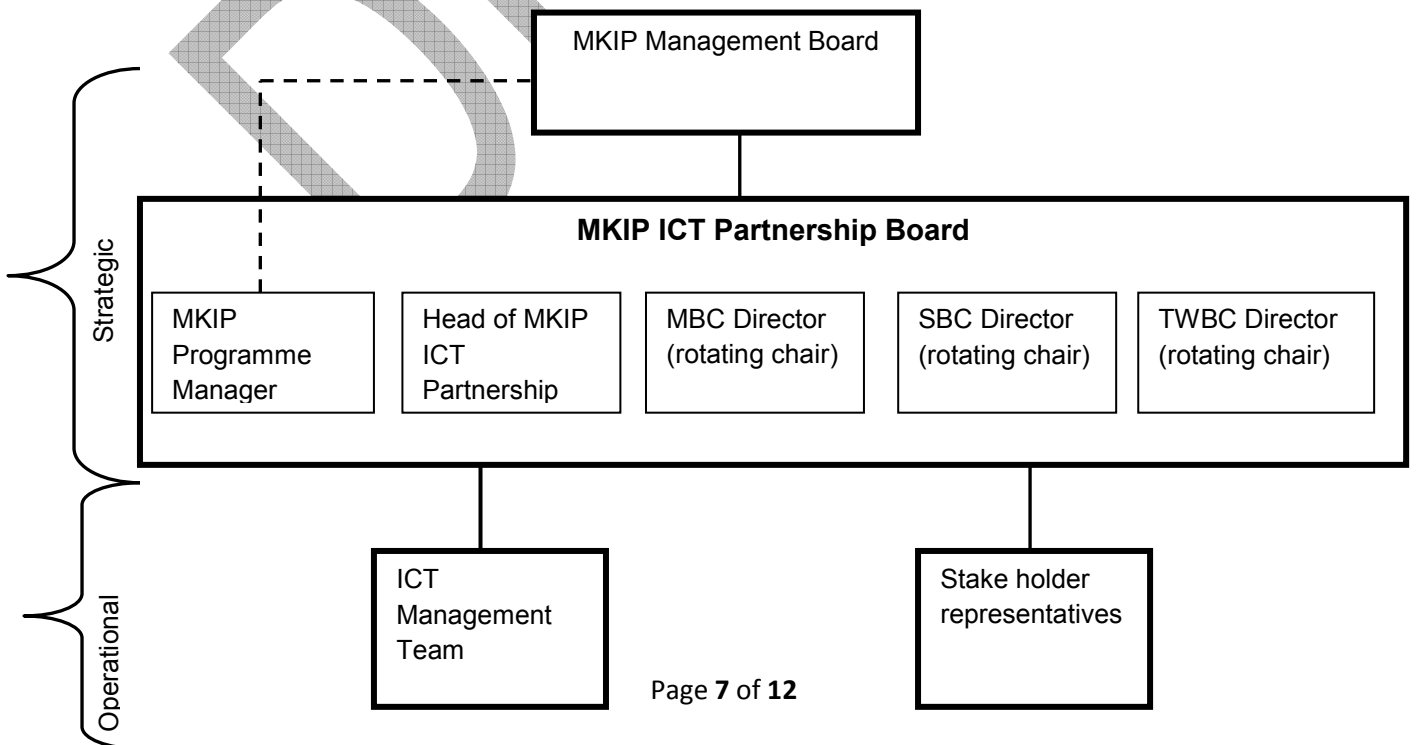
- **Communities** - developing and maintaining sustainable communities that have access to good quality homes in a clean and safe environment.
- **Economy** – ensuring a prosperous thriving local economy that provides opportunities for citizens and business to take advantage of technology to improve their life chances.
- **Customer Care** – deliver services that meet the needs of our customers, that are accessible to all, open and transparent and provide feedback mechanisms that enable the customer to influence how those services are delivered
- **Value for Money** – delivering efficient services that are continuously adding value.

6.3. The development of the ICT shared service will offer the three authorities an enhanced foundation from which to access a wider set of skills and experience. Alongside this the MKIP ICT strategy and associated delivery plan in conjunction with the MKIP Programme plan will enable individual services to actively implement and use innovative technology solutions. The partnership will therefore be in a much stronger position to meet the above priorities and improve the lives of the local communities.

6.4. A wider strategic shared service agreement has been proposed with Kent County Council. Following initial analysis and discussion both parties agreed that a strategic rather than operational alliance with the County Council would provide the optimum technical opportunities at this time. To achieve this it is essential for KCC to be involved at all the key decision points where it may be identified that there are partnership opportunities. The draft Memorandum of Understanding which sets out this agreement can be seen in Appendix I.

7. Governance

7.1. It is proposed that the MKIP ICT service uses the similar model as the successful HR model. Governance structures are detailed in the Collaboration Agreement (Appendix J). The ICT Management Team will report to the ICT Partnership Board consisting of representatives from all partners at Director level. This board will be chaired by designated Director on a rotating basis. It is proposed that users are represented in the structure by a stake holder group consisting of key ICT service users across the partnership.



7.2. In addition to the ICT Partnership Board the shared service will be managed by the Partnership Manager and an ICT management team.

7.3. Any changes to service provision will be made in engagement with the stakeholder group before a decision to proceed is made by the ICT Partnership Board.

8. Staffing

8.1. In 2011/12 a total of 47.8 FTE were budgeted for across the three district Councils. The table below shows the comparison of staff budgets/estimates and shows the estimated staff savings. Please note that GIS has been shown outside at this time as a shared GIS is not proposed at this time.

Table 1

	2011/2012 Budget	2012/2013 Budget	2012/2013 Estimate	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate
Non GIS Staff	37.8 FTE	31.7 FTE				
GIS Staff	10.0 FTE	10.0 FTE				
Total All Staff - FTE	47.8 FTE	41.7 FTE	41.0 FTE	41.0 FTE	41.0 FTE	38.0 FTE
Changes between years		³ -6.11 FTE	-0.7 FTE	-	-	-3.0 FTE
Non GIS Staff	£1,501,350	£1,323,930				
GIS Staff	£334,470	£339,910				
Total All Staff – Cost	£1,835,820	⁴ £1,663,840	£1,663,840	£1,635,840	£1,635,840	£1,485,060
Changes between years		-£171,980		-£28,000	-	-£150,780

8.2. As part of this project consideration was given to the best method of managing staff within the service. The options considered and the services where these models are currently used are:

- Keep officers based at their current authorities and recruit as required – Legal and Audit Shared Services
- Keep officers based at their current authorities but recruit thereafter to one host authority – Revenues and Benefits Shared Services
- TUPE officers to a host authority – HR Shared Services

8.3. Evidence from other shared service delivery models both within MKIP and outside has shown that bringing teams together under one set of employment terms and conditions enables improved management, staff flexibility, retention and accountability. With this in mind it is proposed that a consolidated ICT team is created under the employment of one partner

³ This includes a reduction in one post at TWBC as part of the shared Revenues & Benefits service

⁴ MBC staff costs are subject to change pending agreement to the new proposed changes to the pay scales, SBC excludes IAS19 (disclosure of employee benefits including the arrangements for accounting for pension funds) and the vacancy factor.

authority, to be selected by MKIP Management Board. Staff will be transferred to the 'host' authority under TUPE.

- 8.4. Staff location will be a key consideration of staff consultation. At this stage it is envisaged that there will (at least initially) be a centrally located helpdesk with an on site desktop presence at all authorities. Other officers may be able to be based at the authority of their choice with the caveat that they will need to travel to other authorities when a business need arises. However in the early stages other solutions such as a rotation across the authorities as is currently used by the HR shared service.
- 8.5. The proposed staff structure is shown at Appendix G. The structure has been developed using ITIL (IT Library Information) management standards but generic teams have been created within this structure to increase the sharing of skills and create greater resilience. This will provide identifiable service teams delivering specific areas of the service whilst maintaining the generic nature and skill sharing that has benefit the existing service provision. It is recommended that delegation for varying the structure be given to Head of ICT Partnership in discussion with the Leaders, if it becomes clear that the structure will not work to reach the partnerships objectives.
- 8.6. Historically partners have cultivated different approaches to software development. It is essential in a consolidated model that these approaches merge into a single model over time. With increasing use of Open Source software, front/back office integration and web based delivery channels, system and web development skills will become increasingly important.
- 8.7. In order to provide ongoing staff development and skill enhancements within the structure it is proposed that career grading is used where appropriate.
- 8.8. The Change Team Manager will be required to appoint staff to the Change Team and those required skills from existing officers. The team will be fluid with resources moving in and out as required. It is expected that the Change Manager will work with the other ICT team managers to ensure that resources are available to continue to deliver the service and are available to make sure transformation is delivered. The Change Team will be disbanded by 2015/2016 and at this time the service will expect to reduce by a further three FTE's.
- 8.9. As part of ongoing reviews; if there is an opportunity to develop the service further for example the development of a trading arm, a business case will be presented to demonstrate how this model can deliver a revenue generating service.
- 8.10. The timeline for completing the new staffing structure can be seen as part of the wider transition plan at Appendix Hb. It is estimated that TUPE and the new structure will be completed by April 2013
- 8.11. The emerging partnership has already been able to make savings of £172k in 2012/13 helping individual authorities meet budget saving requirements. Once the proposed structure is fully implemented the planned staffing reduction over the next three years is a further **3.7 FTE's** and this will provide further savings of **£179,000**. The structure may be subject further changes in the following six years.

9. Finances

Revenue Budgets

- 9.1. The total revenue budget including support/ recharges for ICT spend across the three authorities can be seen in Table 2 below. Detail is included in Appendix C.

Table 2

2011/2012 Budget	2012/2013 Budget	2012/2013 Estimate	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate
£4,890,300	£4,735,310	£4,666,310	£4,569,310	£4,433,010	£4,282,230

9.2. In order that increased value in ICT spend can be driven by the shared service it is proposed that all revenue budgets associated with ICT are managed under delegated authority by the Head of MKIP ICT. It has been demonstrated at TWBC that if this approach is implemented savings of 10% can be achieved in annual ICT spend.

9.3. Individual partners may require an enhanced service beyond the capacity of the service level agreement however this would need to be funded outside of existing ICT budgets. There would be the opportunity for individual authorities to invest in enhancements at the local level or indeed reduce associated service delivery and receive the associated benefit as long as this was in line with the overall service provided by the partnership

Capital Budget and investment funds

9.4. Each partner also recognises that capital spend is an important area for ICT development. Current capital spending plans can be seen in Appendix D.

9.5. To make the most of a shared service delivery strategy MKIP Management Board need to consider the benefits of combining their ICT capital budgets so that the strategy is sustainable over the course of its lifetime. Three options were considered:

- Option 1 - Maintain own capital and bid against for need
- Option 2 – Capital budgets are pooled
- Option 3 – Creation of an investment pot with delegated authority given to the Head of MKIP ICT

9.6. To meet the demands of longer terms investment it is recommended that option three is chosen and that the authorities contribute £100k in the first year. Any further funding bids for capital will be subject to the standard funding processes.

9.7. This option will ensure that investment in the consolidation of hardware and software across the partnership will be subject to ongoing careful and considered analysis by the Head of Partnership and the MKIP Programme manager & delivery board. This will ensure that there is improved transparency and clear accountability of ICT expenditure.

Savings

9.8. It was agreed by MKIP Management Board that any savings accrued from the ICT Shared Service will be divided according to the current and future investment made by each authority, including both revenue and capital spending.

9.9. The three way shared service provides an opportunity to achieve savings; the average net savings per year would equate to around **£371,000**. Appendix A sets out the estimated level of savings that could be achieved by each authority by financial year.

- 9.10. One of the key elements in achieving maximum cost savings is the consolidation of commonly used systems. A single system rather than multiple systems is less expensive to procure and administer. It has been demonstrated (Revs and Bens) that shared service delivery is a useful vehicle for consolidating IT services (using a single system model) for example the Revenues & Benefits shared Capita Academy system delivered a saving of 35%.
- 9.11. Historically partners have cultivated different approaches to software development. It is essential in a consolidated model that these approaches merge into a single model over time. The flexibility and control necessary to achieve this convergence is only achievable from within a committed partnership.
- 9.12. The ICT shared service will provide an infrastructure that enables further consolidation of back office functions. Although the strategy for further business unit reviews will be driven by the MKIP Programme Plan, the ICT service will continue to actively support and champion the shared service agenda in order to achieve value for money from ICT investment.
- 9.13. The savings have been calculated based on all IT revenue spend which includes software, hardware maintenance and consumables budgets, using a conservative estimate of 20%. These savings will be delivered using a stage approach delivering 5% savings in 2012/2013 – £69,000 rising to 20% in 2014/2015 - £274,300.
- 9.14. As the estimated savings are based on a proportion of software maintenance and licences an element of the successful delivery of these savings will be dependent upon the appetite for sharing back office systems. It is expected that the business cases for further shared service will be forthcoming as part of the MKIP Programme Plan. In addition MKIP ICT will proactively look for opportunities to achieve quick wins when they arise.

10. Risks

10.1. The risks have been organised under the following four headings:

- Staffing
- Financial
- Procurement
- General/Other

10.2. The major risks have been outlined in the table in appendix F along the planned actions to mitigate the risks. A more comprehensive risk management action planning exercise will be undertaken in the start up phase of the implementation project.

11. Conclusion and Recommendations

11.1. Developing an ICT shared service has the opportunity to deliver a significant long term impact upon MKIP which goes far beyond the potential for savings. As an innovative partnership between the authorities, MKIP can collectively set the path for future shared services and improve the quality of the working arrangements of the existing partners.

11.2. The project board feels that following the development of this business case it is assured that the shared service can deliver these benefits, though to work as effectively as possible for all partners some significant changes will need to be made.

11.3. That Cabinet agree:

4. That MKIP enter into a ten year ICT partnership as defined in the collaboration agreement with a full review (to include future options and funding arrangements for the service) after a 5 year period.
5. That a Head of MKIP ICT is appointed to lead the new shared service and;
6. That:
 - g) The vision, strategic direction and three year operational plan (Appendix F) is endorsed
 - h) The MKIP ICT staffing structure (Appendix E) is approved and that delegation for varying the structure be given to Head of ICT Partnership in discussion with the Leaders.
 - i) Staff are transferred to a host partner using TUPE after full consultation and that the Chief Executives and Leaders are given delegated authority to decide on the most appropriate host authority.
 - j) All ICT revenue budgets are consolidated and administered by the Head of MKIP ICT under delegated authority.
 - k) An ICT capital fund of £300K is created to support the strategy using Option three as highlighted in section nine of this report with each authority providing £100K capital in the first year with future capital funding approved as part of the formal capital bidding process in each authority.
 - l) A strategic alliance between MKIP and Kent County Council through a MOU (appendix I)

12. **Background Documents**

Available on request

ICT Partnership Business Case

MKIP ICT Outline Business Case

MKIP ICT Costing Report