

MUNICIPAL YEAR 2016/2017 REPORT NO. 157

MEETING TITLE AND DATE:

Cabinet
14 December 2016

REPORT OF:

Chief Executive and
the Director of Finance,
Resources and Customer
Services
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Agenda – Part:	1	Item: 11
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Subject: ICT Capital Investment 2017 - 2020		
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Wards: All		
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Key Decision No: 4410		
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Cabinet Members consulted:		
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Cllr Lemonides		
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Cllr Taylor		
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1. EXECUTIVE SUMMARY

Historically the Council funded ongoing investment in Information and Communication Technology (ICT) through annual underspends in the revenue budget. However, through the twin pressures of unprecedented demand for statutory services and near 50% cuts in government funding, these revenue underspends have now been eradicated. On 10 February 2016 a report to Cabinet highlighted this situation and confirmed that as the Council moves forward it would need to put ongoing investment in ICT on a secure footing.

The Council has made significant progress in modernising the technology used by the workforce, partners and customers. This investment has been essential for the Council to maintain services with significantly less funding. Like any major service based organisation the Council will be required to make ongoing investment in ICT on a year on year basis. This report outlines the continued investment needed in ICT systems, infrastructure and associated processes in a proposal for a new ICT Capital Programme. The report outlines how recently introduced digital technology can be further developed to support on-going savings in line with the Medium Term Financial Plan and further improve customer experience.

However, the report clearly outlines that the proposed next phase of ICT investment will be mainly focused on essential modernisation of software systems for major council services. As well as essential updates to core ICT infrastructure and hardware required to keep the Council compliant with external legislation, maintain ICT equipment in a useable state while, keeping data secure. The report will outline the cyclical nature of ICT funding and how the investment over the next three years will significantly reduce, year on year to a level that is in line with ongoing funding in organisations that are in a steady state

2. RECOMMENDATIONS

Cabinet is recommended to:

1. Approve for recommendation to full Council, the addition of £32m to the capital programme for ICT capital requirements over the 3 years 2017/18, 2018/19 and 2019/20. Cabinet is asked to note that this will need to be met from Council borrowing.

3.0 BACKGROUND

3.0.1 Until 2013/14 the Council funded ongoing ICT investment through annual underspends in the revenue budget. However, through the twin pressures of unprecedented demand for statutory services and near 50% cuts in government funding these revenue underspends have now been eradicated. On 10 February 2016 a report to Cabinet highlighted this situation and confirmed that as the Council moves forward it would need to put ongoing ICT investment on a secure footing.

3.0.2 Since 2014/15 the Council has utilised a significant proportion of £16m Enfield 2017 capital funding to achieve significant progress in digitally enabling its workforce, partners and customer access. This was agreed as one of a number of solutions to maintaining services with significantly less funding. Through this funding, the Council now has the foundation for on-going digital service delivery, including a new responsive website with the interactive on line Enfield Connected account. Enfield Connected includes a range of ground breaking web services that enable customers to make complex applications and account updates for services like housing and benefits, in full, on line. The Council has also harnessed digital technology in the back office to automate business processes and reduce cost of delivery. The ICT team has laid the foundations of a new cloud based ICT infrastructure that will enable greater flexibility in the way the council and its partners deliver service. This technology investment has been integral to the Council being on track to deliver £29m of savings between 2014/15 and 2019/20.

3.0.3 In early August 2016 the ICT service provided by Serco was successfully bought back into the Council. A restructure of ICT and

Transformation is now underway to enable £0.5m+ of savings and a further £1m reduction against cost pressure. This is being achieved in part by reducing permanent posts funded from the ICT revenue budget to a level that only covers business as usual ICT activity. To offset this all transformational ICT staff activity associated with changing or introducing new software and hardware will need to be capital funded as part of an ongoing capital programme. This will involve capital funding a number of fixed term posts to support services to build on the recent technology investment in the medium term but then scale back once the organisation reaches a steady state

3.1 Why ongoing ICT investment is required

- 3.1.1 The Council ICT service will run out of capital to fund ongoing investment in ICT in January 2017. This capital not only covers the purchase of ICT products but the cost of internal and external staff such as developers, project managers, programme managers and business analysts. Any significant break in investment will result in delaying ongoing development in ICT and also losing a number of contractors and fixed term employees to the ICT market.
- 3.1.2 The council should seek to assure the continued quality and compatibility of the technology investments made. Both the hardware and software investments made to date are subject to the effects of time. Suppliers regularly upgrade their software and withdraw support for older versions. Hardware manufacturers similarly produce new equipment and stop providing security and maintenance.
- 3.1.3 The Council has no choice but to continue to maintain hardware and software that is compliant with the Public Service Network (PSN) regulated by Cabinet Office. The PSN enables a range of fundamental processes dependent on exchanging data with external public bodies including the DWP, The Passport Office, Home Office, DVLA, NHS and many others. This will involve upgrading major line of business applications and ongoing investment in the Council's data and communication network. Furthermore, the council has to continue to provide up to date equipment to its employees to carry out their roles efficiently and effectively every day.
- 3.1.4 Customer access and self-service through the new website and the Enfield Connected account can be continually enhanced as we move our remaining line of business software applications into the Cloud. Cloud based software can enable better integration to the Enfield Connected account and increasingly reduce the back office burden through automation of processes such as invoicing and payments, financial accounting, managing human resources, managing records even handling customer enquiries.
- 3.1.5 In response to demands in key service areas the Council is migrating major service software applications including the Adult Social Care

system, the Housing system and the telephony system to the most up to date cloud based versions. The ambition is to review our processes across our service delivery teams and the back office hubs that support them ahead of configuring these new systems. This will involve reviewing and designing processes with service teams and real customers. This will enable the most efficient deployment of this technology and build engagement to doing things differently in delivery teams from the outset. Importantly this approach will enable the council to improve customer satisfaction through improved transactional experience

- 3.1.6 By improving end to end integration we will be able to push more information to customers through the Enfield Connected account, the website and other channels automatically. This will keep customers up to date with progress of their transactions, improving their experience and reducing subsequent chasing enquiries to the customer gateway. The ambition is to also continue to automate more customer triage for services, reducing the burden on assessment teams in high volume areas like housing, adult social care and benefits. This will enable the reduced resource of the Council to be focused on those that cannot self-serve or need more intensive help.

3.2 What ICT Investment is required

- 3.2.1 Section 3.1 outlines why there has been, and continues to be, the need to provide capital investment toward the continuous improvement of technology and the ICT infrastructure. A report to Cabinet on 10 February 2016 highlighted that ICT investment used to be funded from revenue underspend but the reduction in Council revenue funding means this is no longer possible and capital funding would be required to put ICT investment on a secure footing.
- 3.2.2 While not all investment can be identified “up front”, for example, equipment can fail, the fluctuation of sterling against the dollar can drive significant variations in cost, and so forth, we have profiled a best estimate three-year capital investment programme against known-knowns. Our key proposed investment projects are outlined in appendix 1.
- 3.2.3 It is recommended that the activities in appendix 1 are delivered over a three-year period from April 2017 to March 2020. The ICT products, third party developers, project managers and other support staff required should be funded from a single capital programme of £32m over three years. The investment as profiled in the table below is initially high over the first two years as the organisation has a number of large system changes to make in the short term. This is due to the ongoing cycle of ICT Disruption that organisations experience. Enfield is having to replace a large number of systems at once to release the full benefits of Digital Services and Cloud Storage, two huge technology shifts. However, the investment will bring Enfield into a

steady state for a prolonged period and ongoing investment will taper off to a level below year 3 for the medium term. This is profiled in the table below:

2017/18	2018/19	2019/20
£14m	£12m	£6m

3.2.4 The investment breaks down into two main areas:

Keeping the hardware up to date, compliant and data secure – £9m

- Maintaining and updating the whole data network including communications, data transfer, storage and Wi-Fi.
- Ensuring staff desktop IT and communication devices are up to date
- Continuously improving cloud storage capacity and capability

Upgrading and replacing software for external compliance, service integration, internal efficiencies and improved customer experience - £23m

- Upgrading the incumbent end of life Housing Services solution to a cloud based Housing system across all housing functions and developing improved on-line access
- Upgrading the incumbent end of life Adult Social Care solution to the cloud based Adult Social Care system across all ASC functions and developing improved on line access. Developing a Shared Care Record in line with the NHS Personalised Health and Care Framework
- Replacing numerous back office systems with universal cloud based systems in performance management/data analysis, workflow and information storage.
- Improving customer experience through new telephony, website enhancements, ongoing development of the Enfield Connected account, developing Artificial Intelligence (AI) solutions for customer access and back office automation

3.2.5 This investment includes the capitalisation of 75% (approximately £800k) of the anticipated licensing costs over three years to minimise the impact on revenue budgets in the short term.

3.2.6 The investment is front loaded to enable a continued pace of delivery over the first year to move the new operating model of the Council towards a stable state, making the rapid improvements required to customer experience while maintain and growing the savings of Enfield 2017. The overall investment is in line with industry benchmarks for an organisation the size of Enfield having recently accelerated its ambition to serve customers digitally and at the end of the three years the

overall investment is closer to the lower ongoing amount required for continuous ICT investment.

- 3.2.7 This investment will ensure the Council can retain the ongoing savings of £29m delivered by Enfield 2017 in the long term and will enable the Council to deliver savings beyond these through new functions like the Procurement and Commissioning Hub and the ability to technically integrate with other public service bodies such as the National Health Service.

3.3 Governance

- 3.3.1 Strategic Delivery Board (SDB) will approve the specific delivery arrangements for each individual aspect of the programme, including spend (within the confines of the approved budget and Councils overall governance arrangements).

4.0 ALTERNATIVE OPTIONS CONSIDERED

- 4.0.1 **Option 1: Continue to operate under the now rescinded ICT outsourced service, with a higher revenue funded proportion of transformation staff:**

This option was discounted as the mutually beneficial end to the Serco ICT contract was preferred by both the council and Serco due to significant savings identified in moving away from the Serco hosting agreement to a Microsoft Azure cloud data centre. The restructure of ICT and Transformation is underway which will reduce the revenue overspend. To offset this revenue reduction an increase in capital funded fixed term posts is required to manage the work already committed to as well as meeting further medium term challenges the council faces.

- 4.0.3 **Option 2- Do Nothing**

A significant proportion of investment is being driven externally through the ongoing need to maintain compliance with the Cabinet Office PSN and the wider public service integration agenda, as such the Council has no choice in making this investment. The remainder of the investment is required to maintain the level of efficiencies that have enabled the savings of £29m being delivered through Enfield 2017 to be secured in the long term.

5.0 REASONS FOR RECOMMENDATIONS

- 5.0.1 The benefits of the next wave of investment fall under three main areas:

- 5.0.2 **Improved customer experience and wider stakeholder engagement:**

- Seamless services in better connected / increasingly integrated public services with people getting the right service from the right provider.
- Easy and clear customer access to the most appropriate support in the borough.
- Full range of Council services available online as 24/7 services with live updates back to customers through back office systems integrated into the Enfield Account.
- Quality call centre and face to face services targeted to meeting the diversity of customer needs with a quality and cost effective service
- Increased engagement in design and opportunities to shape and contribute to service delivery enabling stronger communities and truly local service provision.

5.0.3 Ongoing external compliance and compatibility, fit for purpose internal solutions:

- Enfield ICT infrastructure and systems continue to meet the requirements laid down by the Cabinet Office to exchange essential data across the Public Services Network (PSN)
- Enfield ICT enables exchange of data and shared development of solutions essential to the integration of key services such as health and social care or academy schools and children services
- Enfield's significantly reduced workforce has the technology and supporting equipment to allow them to effectively carry out their jobs.

5.0.4 Securing the £29m annual revenue saving delivered by Enfield 2017 for the long term:

- Reduction in demand created by stabilising the website, the customer gateway, service delivery teams and the hubs that support them
- Live intelligence informing better decision making by council teams with a reduced reliance on support. Fully automated statutory reporting enabling savings in staffing and remaining resources to be focused on using data to look forward and manage demand.
- Stabilisation and optimisation of the hubs through further automation of administrative processes and removal of unnecessary manual activity.
- Funding fixed term posts from capital for Transformation staff involved in technology improvement activity across the Council will allow this essential work to continue in the short term. However, this approach will also deliver an immediate reduction of £0.5m from the beginning of 2017/18 as the permanent ICT team can be scaled back to just business as usual activity.

6.0 COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 Please see section 3.2 for a full explanation of the capital investment required how it should be profiled and why. This investment of £32m profiled as per 3.2.3 above is not currently included within the Council's Capital Programme. There is no identified source of funding and as such this will need to be approved by Council for its addition to the capital programme and funded from new borrowing.

6.1.2 The borrowing will be apportioned in line with forecast expenditure over the three years and will fund a combination of new IT equipment and investment into software and system with a range of asset lives. As such the budgeted repayments from revenue will be over a variety of years but the table below sets out the average revenue costs of borrowing using 3.5% interest and an annuity calculation over the asset lives.

	2018/19	2019/20	2020/21	Full Yr
Repayment	2,368,420	4,398,494	4,906,013	5,413,531

6.2 Legal Implications

6.2.1 The Council has the power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of its functions. The measures outlined in this Report, are incidental to the functions of the Council's departments and are intended to help maintain and ensure an effective IT service to the Council and to improve the Council's financial position to properly discharge its functions.

6.2.2 Section 1 of the Localism Act 2011 further empowers the Council to do anything that individuals generally may do, provided it is not prohibited by legislation and subject to Public Law Principles.

6.2.3 The Council must comply with its obligations regarding obtaining best value under the Local Government (Best Value Principles) Act 1999.

6.2.4 The Council must comply with its Constitution and Contract Procedure Rules; Officers should, in particular, satisfy themselves, before committing expenditure by the Council that contracts with the respective contractors, are in force and have been procured compliantly with advice and assistance from the Council's Corporate Procurement Team.

6.2.5 All legal agreements (and ancillary documentation where relevant) arising from the matters described in this Report must be approved in advance of contract commencement by the Assistant Director of Legal and Governance Services, so as to best protect the Council's commercial contracting position.

7.0 KEY RISKS

Risk	Mitigation
Benefits and Costs are not clearly articulated	All costs have been considered in development of the Capital programme Benefits will be tracked through the programme boards and reported to SDB and the associated Member board at an agreed frequency.
Minority or Vulnerable customer groups might be disadvantaged by changes in the programme	We will continue to provide a range of access channels and promote online as the channel of choice, not must. More inclusive review and design will enable a better view of the needs of the most vulnerable and will engage a broad range of customers in redesign Major system will have a specific EQIA carried out and kept live throughout the programme lifecycle
The current business case process does not include increased revenue for support, maintenance and licensing of software products. As a result, the revenue pressure on ICT increases year on year.	All business cases moving forwards include these costs in the overall analysis and benefits proposal.
The hybrid-cloud data centre solution (Azure, SunGard) may prove difficult to implement due to legacy software issues, resulting in increased operational costs and risks to disaster recovery.	We are working closely with Microsoft, SunGard and specialist auditors to mitigate the risks.

8.0 IMPACT ON COUNCIL PRIORITIES

8.1.0 Fairness for All

8.1.1 The ICT investment programme and the recommendations in this report will ensure improved access to services for all the Borough's residents. It will do so through the increased use of digital channels, by the automisation of back office functions and workflow to support an increased focus on delivery of front line services.

8.1.2 By developing access channels and services that are fit for purpose now and into the future. This investment will ensure that our customers and residents can access all the services and support they require, as and when they need it and in a manner that suits them.

8.1.3 The ICT developed will allow the Council to increase its proactive analysis and support it identifying those who would most benefit from contact by the Council or its partners before they reach a point of crisis.

8.1.4 As well as delivering improvements for the customer, ICT investment will ensure that the Council is able to offer staff the tools, environment

and development to build fulfilling careers focused on providing the outcomes our residents require.

8.2.0 Growth and Sustainability

8.2.1 Increased use of digital channels and more rapid outcome delivery for customers will reduce the cost and carbon footprint of customer access. Making it easier for customers to access services in this way will reduce the need for them to visit local offices and this will, in turn, reduce the Council's own emissions.

8.2.2 ICT investment will support staff to work in a new way, delivering services to our customers that are sustainable, efficient, cost effective, local and available when they need them.

9.0 EQUALITIES IMPACT IMPLICATIONS

9.0.1 The scope and scale of the investment proposed will result in continued improvement to our organisation, staff, working practices, services to customers and the manner in which they engage with us.

9.0.2 Equality Impact Assessments will be carried out on a programme by programme basis and at a project level where appropriate.

9.0.3 Programme boards will ensure appropriate assessments are undertaken and the on-going monitoring process will take place through these boards.

10.0 PERFORMANCE MANAGEMENT IMPLICATIONS

10.0.1 Benefits monitoring

There will be only one route for the monitoring of delivery and benefits. This will be via the Strategic Delivery Board (SDB) with six monthly reporting to Cabinet

10.0.2 All financial savings will be monitored on the Council's normal reporting system with non-cashable benefits captured by the programme and regularly reported to SDB and Cabinet.

10.1.1 General monitoring

Progress against milestones and targets will be monitored by the ICT programme management office, and will include the use of the corporate performance system VERTO.

10.1.2 All aspects of the programme will be reported, monitored and managed using Enfield Council's standard approach to programme management with identified risks and issues escalated as appropriate.

11.0 HEALTH AND SAFETY IMPLICATIONS

11.0.1 The ICT programme team will work closely with HR and occupational health services to ensure that any health and safety implications are identified and addressed and that, if required by an employee, access to the employee assistance programme is readily available

12.0 HR IMPLICATIONS

12.0.1 To meet the financial savings identified in this report, officers will need to design work programmes which will identify the numbers of posts required following service redesign and other improvements.

12.0.2 When the work has been completed, employment legislation requires that there should be consultation with the trade unions and staff affected on the potential numbers of redundancies, the methods of selection of staff and alternative strategies to minimise the numbers of any compulsory redundancies, such as a reduction in agency staff and staff redeployment.

12.0.3 To date the Council has been successful in minimising the number of compulsory redundancies through a range of measures including:

- Natural wastage
- Robust redeployment
- Flexible retirement
- The creation of a flexible agency workforce to minimise the future impact on job losses and redundancies

In addition to the above moving forward we will:

- Promote the voluntary reduction in hours
- Promote early retirement
- Reduce the number of agency workers
- Impose a recruitment freeze in staffing areas affected

12.0.5 All the above initiatives will allow the Council to comply with its employment legislative obligations and responsibilities

13.0 Public Health Implications

13.0.1 The challenges of the increasing demand and the current and future reductions in local Government funding have severe implications for the health of the public both in relation to services provided and for the capacity for Local Government to produce environments that are conducive to health and healthy lifestyles. The ICT investment programme will seek to mitigate the effects of these cuts to funding by increasing the capacity of the Council through the use of electronic systems and by using digital channels to signpost and support residents to either self-support or to use resources that are least costly.

13.0.2 However, there is no doubt that the financial cuts to the Local Authority present a significant challenge through which maintaining and improving the health and the public will be a significant concern, particularly for our most vulnerable residents. Ongoing work will be needed to both understand how this impacts upon Enfield residents and what mitigation measures might consequently be required.

Background Papers

None

Appendix 1 – overview 3-year ICT investment