

DECISION-MAKER:	COUNCIL		
SUBJECT:	IT Investment Plan		
DATE OF DECISION:	18 November 2020		
REPORT OF:	CABINET MEMBER, CUSTOMER & ORGANISATION		
<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Business Services / Deputy Chief Executive	
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STATEMENT OF CONFIDENTIALITY			
Not Applicable			

BRIEF SUMMARY

A five-year investment plan for IT and Digital services has been created to ensure that work started through the Desktop Refresh and Smart Ways of Working projects is completed and that there is a clear plan for ongoing investment in IT and Technology through to 2025.

The plan has been developed following the return of IT Services to an in-house provision and the establishment of a refocused internal IT Service. The Investment Plan will enable a continuation of service improvements and ensure that high-quality, effective IT services can be delivered in future years. It also enables front-line services to plan properly for the service improvements they need that depend on modern IT infrastructure and systems.

RECOMMENDATIONS:

(i)	To approve the identified IT Investment Plan for inclusion in future budgets. For the capital programme this means an extra £8.530m as follows: <ul style="list-style-type: none"> (a) the addition of £7.343M to the Customer and Organisation programme funded by Council Resources and approval to spend this sum in years 2021/22 to 2024/25 as detailed in paragraph 24 and (b) the addition of £1.187M to the HRA programme funded by Council Resources and approval to spend this sum in years 2021/22 to 2023/25 as detailed in paragraph 24.
(ii)	To support the IT Investment Plan approval is sought for a General Fund revenue budget allocation of £4.108M as indicated in paragraph 25 over the period 2021/22 to 2024/25 which will be built into the Council's Medium Term Financial Strategy.
(iii)	To agree the themes identified as the basis of an updated IT Strategy, with delivery supported by the identified investment plans

	(iv)	Subject to contract review, approve the ongoing contract for support and maintenance of software to support the Revenues and Benefits service. The overall spend of the contract is expected to be in the region of £1.2m over 6 years (2 years initially with options to extend). Costs are covered in existing budgets.
	(v)	To delegate authority to the Executive Director Business Services and Head of IT, following consultation with the Executive Director Finance and Commercialisation and the Cabinet Member for Customer and Organisation plus the Cabinet Member for Finance and Income Generation, to vary the programme subject to changing requirements and new technologies in future years, within the existing and agreed resource allocation.

REASONS FOR REPORT RECOMMENDATIONS

1.	There is an increasing reliance on technology to be able to deliver council services, and this has only increased with recent events. Effective IT and Digital Services are essential to maintaining service delivery, but also enable service improvement and resulting cost reductions. The proposed Investment Plan provides a longer-term vision of the funding required to support and develop services and allows for these requirements to be more clearly identified in medium-term financial plans.
2.	Recent investment in desktop IT equipment and Microsoft 365 services has proven invaluable throughout the COVID response. The Investment Plan will enable positive gains made over this period to continue to be embedded and ensure that IT and Digital services continue to improve and support different ways of working.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.	Continue with no long-term investment plan: This was rejected as it will lead to increased risk of failure of IT systems and services, and will lead to continued and ad-hoc requirements for funding to resolve issues.
4.	Not approve on-going spend on key systems: This was rejected as core platforms are essential for services such as Housing, Council Tax, Revenues and Benefits to run. Without the ongoing support and maintenance charges services could not function. Budget is already in place for these systems.

DETAIL (Including consultation carried out)

5.	Until 2019 the IT service was provided externally. Capital investment plans were brought forward by the provider at the Council's request, but mostly on a project-by-project basis. The new proposed IT Strategy and Investment Plan provide a comprehensive long-term framework for the Council that offers a stable planning environment for the IT service and its customers.
6.	The investment plan originally developed in late 2019 identified future costs for hardware, infrastructure, resource and software investments required to deliver IT services over the next 5 years. This has been revised and updated following work with different service areas to ensure their requirements are reflected in the plan. Additional changes have been made following COVID-19 to ensure the Plan reflects potential changes to the way that services are delivered in the future. It also reflects the activities and purchases needed to support delivery of the IT Strategy.
7.	Whilst there has been welcome investment over the last two years in IT equipment through the Desktop Refresh and SWoW projects, and software investments with commitment to Microsoft 365, the Investment Plan comes forward against a backdrop of

	a number of years where the operating life of underlying hardware, such as networking and switches, was extended to the maximum. There is now a requirement to renew these assets and get them back to the right level of specification and support.
8.	The Investment Plan has been developed in conjunction with all services across the council and therefore represents the technology requirements to allow ongoing development of service area applications and digital solutions for the Housing, Council Tax, Social Care, Revenues and Benefits services, as well as addressing underlying IT infrastructure requirements.
9.	Consultation was undertaken, through the Executive Management Board and direct with application system owners, to establish a roadmap of developments on enhancements, and to identify areas that would benefit from new IT provision. Feedback from this process has been incorporated into the plan. Details are included in the appendix 'IT Investment Plan 2020-2025'.
10.	The Investment Plan enables a significant programme of work through to 2025. To give structure to this programme five themes have been established and will form an updated IT Strategy and deliver plan. The five themes are as follows:
11.	Theme 1: Strong Foundations – An IT infrastructure to support a modern, flexible and resilient organisation whilst maintaining the highest levels of security for systems and data.
12.	Theme 2: Right tools – Ensuring staff and Members have the right tools for the job through a combination of equipment, software and access.
13.	Theme 3: Skilled workforce – Providing the right knowledge, training and services to support a skilled workforce that can make the most of our technology investments.
14.	Theme 4: Future tech – Ensuring that as the strong foundations and right tools are embedded, Southampton City Council is a leader in the use of new technology including AI, Robotics, Internet of Things, and in supporting Smart Cities objectives
15.	Theme 5: Partnerships and commercialism – expanding existing and establishing new partnerships to explore opportunities for shared working and services, and identifying potential commercial opportunities that IT Services could offer.
16.	For each theme, high- level deliverables are defined and these will be used as the basis of detailed delivery plans as projects and funding becomes available.
17.	A number of critical items for capital investment were identified that would be required whilst the full Investment Plan was developed. This funding of £1.723m was approved for the current budget year. No further capital allocation is required in the current financial year.
18.	The Investment Plan focusses on areas where new funding is required, but it is noted that a number of key applications, which are already funded through existing revenue budgets, are also coming to the end of their current contract periods over the period of the proposed investment plan. There is a need to procure new contracts, or complete a procurement exercise to replace these systems.
19.	Certain applications are critical to the delivery of SCC services, including Housing, Council Tax, Revenues and Benefits and Social Care services. At the current time there is still a split of support for IT systems and services across a number of areas of the council. As part of the proposals all IT support will be centralised and become part of the corporate IT team.

20.	In each case an evaluation has taken place, or will take place, as to whether there is a need to go to market for an alternative or whether a new contract should be signed for support and maintenance on the current solution including consideration of the hosting platform at the time. There is no expectation that the services can be delivered without the appropriate software application and due to the value of the contracts approval is sought to commit to on-going revenue spend in these service areas.
21.	The key system that requires a new contract at this stage is Revenues and Benefits, which has a current budget of £250k per annum, with costs expected to reduce for a new contract. A new contract will be established for six years (initial term two years with option to extend).
22.	An important element of the Strategy is to maximise the value from core systems that have already been procured across the Council, such as Microsoft 365, and ensure they are adopted as corporate standards. It is likely to be possible to retire some customised systems in favour of tools that are available as part of the 365 suite. As part of this, a range of support and training tools is being provided, ensuring that (with the appropriate change management support) maximum value is derived from the use of updated and new technology.
23.	The Investment Plan represents a significant investment in IT and Digital services but one that will enable on-going significant improvements in service delivery. Adopting and exploiting new technologies such as robotics, automation and AI will ensure that Southampton remains at the forefront of technology and digital services.

RESOURCE IMPLICATIONS

Capital/Revenue

24.	IT Strategy: Capital Spend Summary						
		For info: 2020-21	2021- 22	2022- 23	2023- 24	2024- 25	Total
	Type	£000	£000	£000	£000	£000	£000
	Application upgrade / Enhancement	75	484	338	270	270	1,437
	Compliance Requirement	90	90	0	0	0	180
	Infrastructure Requirement	189	1,575	465	440	195	2,864
	Equipment Refresh or Replacement	1,369	2,235	882	666	620	5,772
	Funded by						
	General Fund		3,507	1,515	1,306	1,015	7,343
	HRA		877	170	70	70	1,187
	Total additional requirement						8,530
	Previously approved	1,723					1,723
	Grand Total for IT Strategy	1,723	4,384	1,685	1,376	1,085	10,253

Extra capital investment for the IT strategy for capital costs is £8.530M, per the table above. When added to £1.723M already approved and included in the current year, this will bring total capital investment to £10.253M in support of the IT strategy.

The additional investment proposed for the programme will be funded by council resources. The capital financing budget will be adjusted on the assumption that this would be incurred via borrowing, which will be factored into the Medium Term Financial Strategy. The council also has £4.3m held in a digital strategy reserve. However, due to Covid and associated costs, all use of reserves is under review, and may be subject to change.

Estimated capital financing costs for the extra £7.4M General Fund investment are approximately £8.00M, and for the extra £1.2M HRA investment is £1.27M, assuming the associated borrowing is taken over 5 years and at current interest rates (rates may differ when borrowing is incurred).

25. **IT Strategy: Revenue Budget Summary**

Type	For Info		Additional Requirement				Total £000
	2020-21	2021-22	2022-23	2023-24	2024-25		
	£000	£000	£000	£000	£000		
Application upgrade / Enhancement	51	126	126	311	126	740	
Compliance Requirement	150	397	345	265	265	1,422	
Infrastructure Requirement	99	337	244	244	287	1,209	
Equipment Refresh or Replacement	35	206	183	243	243	910	
Support Services	40	40	40	40	40	200	
Total: Previously approved / in-year	375					375	
Total Extra General Fund budget needed		1,106	938	1,103	961	4,108	
Grand Total for IT Strategy	375	1,106	938	1,103	961	4,481	

26. **Grand Total for IT Strategy** 375 1,106 938 1,103 961 4,481

27. In 2020-21 £0.375M of revenue investment for the IT Plan is already being delivered through in-year budgets. As indicated in the table, a further £4.108M is required in support of this plan from 2021/22 to 2024/25.

28. Direct savings of £385k per annum have already been identified through reducing or removing contracts, and cost reductions enabled by flexible working. Significant capital cost avoidance enabled by the introduction of cloud services are realised with an expected additional requirement of £1.5-2m that would have otherwise been required.

29.	<p>The investment of £25k identified for production of a desk-booking system utilising in-house tools will avoid revenue costs of £190k over the period as it will remove the requirement to procure a solution.</p> <p>As each individual scheme or project identified in the investment plan is developed, detailed benefits, including savings, will be identified. The investments will enable a mixture of direct cost reductions, efficiencies and productivity gains as well as potential for increased income generation. Investment each year will be subject to a more detailed case setting out the benefits, including savings, before spending goes ahead. Cash savings are an expected benefit to arise from streamlining processes and increased efficiency from the investment but at this stage this cannot be accurately quantified.</p>	
<u>Property/Other</u>		
30.	No direct property implications; however, investments identified will allow improvement to the connectivity and IT provision in all retained properties.	
LEGAL IMPLICATIONS		
<u>Statutory power to undertake proposals in the report:</u>		
31.	Section 111 Local Government Act 1972 and Section 1 Localism Act 2011	
<u>Other Legal Implications:</u>		
32.	Any purchasing that is required will be completed via the appropriate procurement route.	
RISK MANAGEMENT IMPLICATIONS		
33.	Individual projects enabled by the investment plan would be subject to their own risk management processes as part of the appropriate project delivery or procurement approach.	
POLICY FRAMEWORK IMPLICATIONS		
34.	The corporate business plan 2020-2025 identifies a Successful, Sustainable Business as a key theme, reflecting the need for sustainable and agile services.	
KEY DECISION?		No
WARDS/COMMUNITIES AFFECTED:		
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	IT Investment Plan 2020-25 (Excel)	
2.	ESIA	
Documents In Members' Rooms		
1.	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes

Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
(Individual projects funded from the investment plan would be expected to have their own DPIA's completed if required)		
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	