

DIGITAL FIRST – OUTLINE BUSINESS CASE**1. Executive Summary**

In February 2015, the Council agreed to transition its ICT managed service provision from Northgate to Capita, which included outsourcing more operational functions and support to the new provision. The new contract achieved a saving of £1.72m over the first 5 year term, but has not delivered the level of service expected.

In 2016 the Council approved a capital budget of £1.8m to be invested in upgrading its software and hardware, in recognition of the constraints of working with technology at the end of its operational life, and in the hope that the upgrades would provide the improved service looked for by the organisation.

While systems and hardware were modernised, the programme of improvements fell short of providing a contemporary ICT infrastructure and service provision that recognised the expectations and opportunities of operating in a digital age.

Going forward, the Council now needs to consider how it will deliver ICT in the future interact with clients, taxpayers and stakeholders.

There are three core options for maintaining or evolving the WDC ICT infrastructure. The estimated cost implications of each option are set out below:

- 1) 'Do Nothing' this embraces either remaining with Capita and take the option to extend the current ICT managed service contract for four years (via 2 two-year extensions). Or, procure an alternative to Capita, but still replicating the hardware server estate, maintenance etc, so not offering improvements or reduced costs.
- 2) Re-patriate server hardware to WDC offices, and attempt to recruit/retain own staff to deliver the full service in house. Whilst this option is attractive on one level to regain control and possibly improve quality. It is a high cost, high risk option and not feasible.
- 3) To progress the Digital First programme, in line with the Government and wider public sector, direction. This option requires some investment to enable migration to the Public Cloud, investigate the applications available and introduce business process improvements along with increased digitalisation of the customer offering.

The preferred option is to progress with the Digital First Programme, which is in line with Government guidance and provides the ability to deliver savings of c£0.400M per annum from 2020/21.

2. Context

In response to financial challenges, particularly from 2010 onwards, ICT & CSC, like other services, worked to reduce costs, including sustaining hardware and software up to (and sometimes beyond) support "shelf-lives".

Appendix B2 provides background data in respect of how customers interact with WDC

In February 2015, the Council agreed to transition its ICT managed service provision from Northgate to Capita, which included outsourcing more operational functions and support to the new provision. The new contract achieved a saving of £1.72m over the first 5 year term, but failed to deliver the level of service expected.

In 2016 the Council approved a capital budget of £1.8m to be invested in upgrading its software and hardware, in recognition of the constraints of working with technology at the end of its operational life, and in the hope that the upgrades would provide the improved service looked for by the organisation.

Issues with Capita's service provision during the first 18 months of the Capita contract delayed the implementation of infrastructure projects. As the service stabilised, projects benefitted from the new capital budget, and were accelerated and delivered in response to recommendations made by I&RC, and approved by Cabinet in 2016.

While systems and hardware were modernised, the programme of improvements fell short of providing a contemporary ICT infrastructure and service provision that recognised the expectations and opportunities of operating in a digital age.

The benefits and drawbacks of each option are set out below in the 'The alternatives to the proposed Digital First programme' section.

3. Current Landscape

The current Managed Service contract expires at the end of January 2020. Contractual arrangements in place would allow for 2 further periods of 2 year extensions for the current provider.

Under existing Managed Service arrangements, Capita provide a comprehensive range of ICT managed services across our estate. This includes the management and support for: -

- Devices (desktops, laptops, printers etc)
- Helpdesk, 2nd and 3rd line support
- Hosted and local infrastructure (including Storage Area Network (SAN), virtual desktops infrastructure (thin client)
- E-mail
- Telephony
- Network security, including firewalls, PSN compliance, business continuity and disaster recovery
- Business systems

The service is managed by a small team of technical client officers (also responsible for managing the CSC Managed Service).

Our current estate includes: -

- 446 users including (including officers, Members, agency staff, consultants, service providers etc.)
- 37 physical and 161 virtual servers
- 50 desktops 291 laptops (100% laptops deployed), 101 smartphones and 50 iPads
- 16 Multi-Functional Devices (floor based printers/scanners serving multiple services)
- 103 applications
- 600 email accounts / AD accounts
- Flood Wi-Fi and publically accessible Wi-Fi

4. Cloud Computing

Cloud computing is a broad term used to describe the delivery of technology services over the internet rather than from an organisation's own infrastructure, using services from public or private providers. There are three broad categories for Cloud:

➤ **Private Cloud**

Private Cloud is owned and used solely by a single organisation (often for multiple clients). Having a private cloud has the advantage of being able to design and implement it in a configuration that meets customer requirements, however to do so is often time consuming and inherently expensive.

➤ **Community Cloud**

Various suppliers offer virtual private clouds, also known as Community Clouds which offer a multi-tenant IaaS hosting platform with limited amounts of immediate flexibility and capacity. Community Clouds often lack the automation and orchestration of the public cloud offerings so therefore are not as feature rich. Additionally, as they are much smaller than the public cloud implementations they do not benefit from the economies of Public Cloud.

➤ **Public Cloud**

Public Cloud is offered by larger global cloud providers such as Microsoft, Amazon and Google. A defining characteristic of the Public Cloud is that they support aggressive automation of administration and management activities, which is a fundamental requirement for their ability to operate at the scale they do. A product of this means that Public Cloud offers low-cost (commodity) pricing, consumption based pricing (pay for what you use), elastic scalability meaning organisations don't need to over-spec infrastructure and greatly reduced management overheads.

Due to the unique benefits of Public Cloud and the greatest potential for cost savings, Public Cloud is the platform of preference.

Cloud computing typically refers to three services: -

➤ **Infrastructure as a Service (IaaS)**

Automated and scalable provision of infrastructure (servers, storage and networking) using a cloud provider's infrastructure. Although more detailed discovery is required, at this stage and based on a starting point of like-for-like provision, the potential services to benefit from IaaS migration include (but not limited to) Infrastructure Services (Active Directory), Info at Work, Uniform Enterprise, Iken and Unity.

➤ **Platform as a Service (PaaS) – this also includes Database as a Service (DaaS)**

Platform as a Service removes the need to manage the underlying server, network, operating system and hardware. This allows focus on business requirements and scalability of an application or service rather than how to manage and maintain the solution. Services that may be migrated to PaaS include (but not limited to) Websites, FTP/SMTP/IIS, Applications, SQL Server, departmental shares, Horizon View 7 (VDI), security scanning

➤ **Software as a Service (SaaS)**

Software as a Service moves the task of managing software and its deployment along with any underlying infrastructure to third-party providers. Not having the burden or overhead of management of infrastructure or upgrades to applications reduces the requirement on administration and management tasks for any given solution. Services that may be migrated to PaaS include (but not limited to) Office 365, security applications (including anti-virus

products), telephony. However, adopting a SaaS “first” approach provides an opportunity to migrate IaaS services and further line of business applications.

Not having the burden or overhead of management of infrastructure or upgrades to applications greatly reduces the requirement on administration and management tasks for any given solution. Therefore, a SaaS first approach is recommended for any new and future applications. The opportunity to migrate more applications to SaaS following initial migration will be a priority.

5. Why we are recommending the Digital First programme

Digital First is an overarching strategy and is about how we as an organisation leverage technology to engage, communicate and respond to people, design, deliver and manage services, and use information to make decisions, inform policy and evaluate performance and outcomes – a joined up and consistent approach across the organisation to how we work and the supporting technologies, applications and data we hold.

The aim is to deliver better, faster customer services; improved operational efficiency, with key outcomes including:-

- Digital services that people prefer to use
- Supporting partners to develop better services
- Dialogue where conversations naturally occur
- Mobile working
- Effective and stable ICT for officers, councillors and partners
- Joined up processes and information.

The investment will fund a suite of interrelated projects that will achieve the Digital First vision, to be delivered by the summer of 2019, including:-

- Responsive & Flexible ICT
- Digital platform
- Data & insight
- Design & deliver digital services
- Proactive and responsive communications.
- From an initial assessment of our infrastructure, the suggested use of Cloud includes: -

Landing Zone	Notes	Servers
IaaS	This could be reduced with further discovery. There are a large number of single server solutions	112
PaaS/DBaaS	Migrating to WebApps and Cloud SQL, while consolidating licensing	22
SaaS	With a more complete rollout of solutions such as O365 further SaaS solutions could be implemented, resulting in a further reduction of infrastructure	6
Remain on-premise	Areas such as Oracle and Telephony will still need to be fully solutioned. These along with AD controllers will remain on-premise for the immediate future	15
Decommission	A large number of existing managed service provider based servers will no longer be required, along with physical hosts responsible for VM's as this would move to public cloud	43

Once located in the cloud, further optimisation of services can be undertaken to rationalise (and potentially reduce) resources, and therefore costs.

6. Investment

To deliver the programme, a transformation investment of £0.800M will be required. In delivering the migration to the Public Cloud, costs associated with hardware (servers), licenses for software and the associated management costs of hardware and software will be recycled to deliver the new cloud solutions.

More detailed financial information is provided in Appendix B1.

7. Running Costs

The major change in running costs is that the cyclical cashflow associated with 'capital' refreshment of hardware (servers) and annual/multi year licensing is smoothed out through monthly/annual subscriptions. The accounting position would remain unchanged on a like for like basis, as WDC Statement of Accounts includes annual depreciation, which recognises the annual consumption of capital assets.

Indicative and high level view of costs, based on the initial assessment of services required, is set out below: -

Infrastructure	Estimated Cost per Month
IaaS	£7800
Storage	£1270
Network	£113
IP Address	£189
ExpressRoute	£277
Backup	£554
TOTAL	£10,202

There are other costs associated such as data transfer out of the cloud, these are not included as they are an unknown at this stage, but are expected to be minimal.

PaaS options for Web Applications and cloud SQL are estimated below;

PaaS	Comment	Monthly Cost
WebApps	Two scalable instances, internal and external facing	£111
Azure SQL	elastic pool of 200 eDTU's	£225

Estimated monthly cost before reductions due to optimisations (which is likely to be c30%) is of the order of £10,500 per month.

8. Return on Investment

Our ambition is to provide a return on investment starting from 2020 with the potential to reduce the nature and scope of the ICT & CSC Managed Service contracts.

Moving to a utility computing model will see a change to the ICT funding model, from the current hybrid capital and revenue model, to one that will be based on revenue expenditure, as the Council divests from the ownership of “server” hardware. The overall cost of ownership will reduce by taking advantage of public cloud offerings.

This will not have an impact on taxpayers, as it the accounting values will remain constant on a like for like basis, ie revenue cash costs, plus non-cash depreciation charges. In respect of cashflow it will move from a peak/trough cycle of server and license replacement to a steadier annualised payment/subscription for ‘services’.

Based on learning from comparable work in the sector, operational efficiencies will be achieved as customer services migrate to fulfilment predominantly via digital channels from more expensive traditional channels. With the migration of the majority of customer transactions to self-service digital channels, the scope (and probably the need) for the CSC managed service will diminish. There are many illustrations of channel shift values, but as a scale, for a standard transaction, one might consider it as in the order of Face 2 Face £15.00, Telephone £5.00, Digital £0.50p. We do not seek to measure the financial value/benefit to our clients, but under Social Accounting principles we would perhaps replicate the cost/value to the Council. Ie a client who is self-employed and has to come to the office will not earn for that time, being able to process the same transaction digitally at a convenient time enables them to not lose earnings.

Our advising consultants predicate prudent savings against existing ICT & CSC budgets as set out below, based on their knowledge of similar projects with comparable organisations:

Budget	Description	Annual value	5 year value	Potential Saving %	Saving Value 5 years	Annual saving value	Comments
ICT Systems	Business system	464900	2324500	5	116225	23245	Rationalisation of business systems
ICT Infrastructure	Infrastructure licenses, MS licenses	397400	1987000	15	298050	59610	Rationalisation of infrastructure licenses, flexible server capacity (on demand), server maintenance & patchng
ICT Managed Service fees	Capita fees	826400	4132000	10	413200	82640	Reduction in services required through Paas & SaaS).
ICT Capital spend	Capital spend on infrastructure	350000	1750000	50	875000	175000	Divestment of ownership of physical infrastructure
CSC Managed Service	Capita fees	609400	3047000	10	304700	60940	Reduced service required (assuming channel shift)
Total		2648100	13240500		2007175	401435	

9. Efficiency/output improvements

In addition to anticipated financial benefits to the council and its clients, reviewing services from the customer perspective, and using integrated applications will generate improvements to operational efficiency. Similarly, operational efficiency can be achieved through joined up applications and reducing unnecessary duplication of activity or need for rekeying information. This will allow for WDC to deliver more from its current resources.

Proactive customer services, providing customers with information about the progress of the service they require will reduce unnecessary customer contact, as well as provide a better customer experience, and operational efficiencies. Unlike commercial entities councils do not seek to capture the cost of ‘quality failure’ (which is not just when we do get it wrong, but when we could have broadcast a message that would have avoided the need to call/enquire as to why a service has not happened when it should have).

10. The alternatives to the proposed Digital First programme

The current Managed Service contract expires at the end of January 2020. Contractual arrangements in place would allow for 2 further periods of 2 year extensions for the current provider.

The Council first outsourced its ICT service in c2000 and the Capita contract is the third generation of outsourced contract. All previous providers have had their issues in terms of meeting service obligations. External audits of the contract and contract management have resulted in favourable audit opinions. However, although well managed, this has not addressed the underlying issues to maintain service performance.

There are three core options for maintaining or evolving the WDC ICT infrastructure. The estimated cost implications of each option are set out below:

1) 'Do Nothing' this embraces either remaining with Capita and take the option to extend the current ICT managed service contract for four years (via 2 two-year extensions). Or, procure an alternative to Capita, but still replicating the hardware server estate, maintenance etc.

This option, whether with Capita or another hosted provider offers opportunities to save costs or improve services and customer engagement/satisfaction.

2) Re-patriate server hardware to WDC offices, and attempt to recruit/retain own staff to deliver the full service in house.

Whilst this option is attractive on one level to regain control and possibly improve quality.

The reality is that this option would add material cost and introduce material risk to the Council as it would be difficult to recruit and retain sufficient staff to deliver the full spectrum of services and support required to meet service requirements. Repatriating would also require appropriate accommodation (here or in someone else's datacentre).

3) To progress the Digital First programme, in line with the Government and wider public sector, direction.

This option requires some investment to enable migration to the Public Cloud, investigate the applications available and introduce business process improvements along with increased digitalisation of the customer offering.

There will be an iterative development of the 'Business Case' which will become a living document, following the progress of the programme itself. This option does require an initial injection of funds for transformation and where necessary dual running of existing systems and support whilst developing the Cloud alternatives.

However over time this is the only option which can offer savings and reduced ICT costs, in conjunction with CSC and other areas that undertake transactional processing. Prudent estimates suggest that it can offer in excess of £0.400M savings per annum, once fully functioning from 2020/21 onwards. So providing payback of the initial 'avoidable investment of £0.8M in slightly over two years from operational launch in 2020/21.

Cabinet of 18th September 2017 agreed to adopt the Digital First vision for evolving our customer services to meet the expectations of users in our digital age. Operational implementation of that agreed vision is impossible without upgrading our ICT infrastructure and service provision.

Consideration has been given to how WDC might work with neighbours in the future Previous discussions about sharing services with neighbours have been impacted by the use of different

applications between Council's as well as differences in investment cycles to provision applications. Moving to the public cloud lowers the barrier to change providing opportunities to collaborate and share and support future local government structures as they may emerge.

11. Next Steps

As a minimum, we will provide updates quarterly to Cabinet on progress and by exception when appropriate.

We will continue to consult with Members (particularly Cabinet), engage with I&RC and Officers, as our programme of projects develop.

We will develop more detailed plans for each workstream, within an overarching Programme Plan, including risk register.

We will manage our costs and track our facilitated and delivered savings.

We will produce a Procurement Strategy based upon Government Framework Agreements to avoid creating procurement costs.

WDC BUDGET INFORMATION

As outlined in the core report, there are costs that are or must be included in the WDC Budget for 2018-19 and subsequent MTFP, in respect of Capital Equipment Replacement Programme for ICT.

During the previous Medium Term Financial Plan exercises, there has not been the level of investment profiled that is needed for ICT equipment replacement. This is both required whatever option WDC progresses and in line with WDC Accounting Policies (as published in the Statement of Accounts), in respect of the Capital Equipment Budgets.

a) Transformation Budget

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	TOTAL £M
System Migration – Capita Exit Cost	0.200	0.150	0.000	0.000	0.000	0.350
Business Process Improvements – Developing Digital Services	0.200	0.050	0.000	0.000	0.000	0.250
Developing ICT Architecture and managing migration to Public Cloud	0.300	0.200	0.050	0.000	0,000	0.550
TOTALS	0.700	0.400	0.050			1.150

Notes Transformation Budget:

1. The system migration costs are unavoidable, as the contract with Capita will end in February 2020, due to service and support issues it is assumed that an alternative solution will be required. The avoidable transformation costs are therefore £0.800M, of this £0.250M will support business process improvements, with a bias toward digitalisation. Therefore the unique investment in migrating to the Public Cloud is in fact £0.550M.

2. Business Process Improvements is an investment in improving and designing better workflow systems, digital interactions and business practices that will be beneficial to WDC whether migrating to the Public Cloud, or to another hosted server solution.

3. Developing ICT Architecture and ‘migrating to the cloud’ is the only element of investment that is technically optional and reliant on a decision to change the way ICT is delivered from a traditional Hardware/Software License model to a ‘subscription’ based service.

b) Revenue Budget

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Cost Pressure – included in 2018/19 Budget					
Enhanced Support – ICT Contract Management	0.100	0.100	0.050	0.000	0.000
Provided for in existing MTFP					
CSC Managed Service	0.609	0.609	0.609	0.609	0.609
ICT Managed Service Fee (Capita)	0.826	0.826	0.826	0.826	0.826
ICT Systems	0.465	0.465	0.465	0.465	0.465

Notes Revenue Budget:

1. Due to contract management and service delivery issues with the current provider (Capita), the ICT Team require additional specialist support to improve and maintain a standard service and assist in the next iteration of ICT hosting. The above value has been included in the WDC draft Revenue Budget 2018-19 and will go forward to the MTFP refresh.
2. The three budget lines below the enhancement are all included within the current MTFP

c) Capital Budget

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Not currently included in MTFP (see notes)					
Hardware – Servers		0.400	0.060		0.125
Hardware – Laptops/Tablets/	0.050	0.100	0.100	0.100	0.100

Notes Capital Budget:

1. WDC Accounting Policy states the depreciation policy for IT equipment is 3-5 Years, the standard assumption is that 'laptops' (and equivalents) will have an effective life of 3 years, with larger equipment having 5 years.
2. The laptops and equipment rolled out in 2017 therefore require a profiled capital budget, the servers have a range of dates from 2014, 2015 (Revs & Bens) to 2017 (VDI etc), these also require a profiled capital budget.
3. The above values have been included in the WDC Draft Capital Budget 2018-19 and will go forward to the MTFP refresh.

d) Savings Range

The table below provides an insight into how the savings might be seen as a range, the higher value is still not considered 'optimistic' based on information from other councils that have migrated to the Cloud.

BUDGET	DESCRIPTION	ANNUAL VALUE £M	Annual Potential Savings Range				COMMENT
			%	£M	%	£M	
ICT Systems	Business Systems / Licenses	0.465	5%	0.023	15%	0.070	Rationalisation of business systems
ICT Infrastructure	Operating Systems / Infrastructure Licenses / MS Licenses	0.397	15%	0.060	20%	0.079	Rationalisation of infrastructure costs, flexible server capacity, maintenance & patching
ICT Managed Service Fee	Capita Fees	0.826	10%	0.083	15%	0.124	Reduction in services required through Paas & Saas
ICT Capital Spend	Capital Spend - Infrastructure	0.350	50%	0.175	55%	0.193	Cessation of ownership of physical infrastructure
CSC Managed Service	Capita Contract CSC	0.609	10%	0.061	15%	0.091	Reduced service demand/requirement from channel shift
		2.647		0.401		0.557	

e) Savings Profile

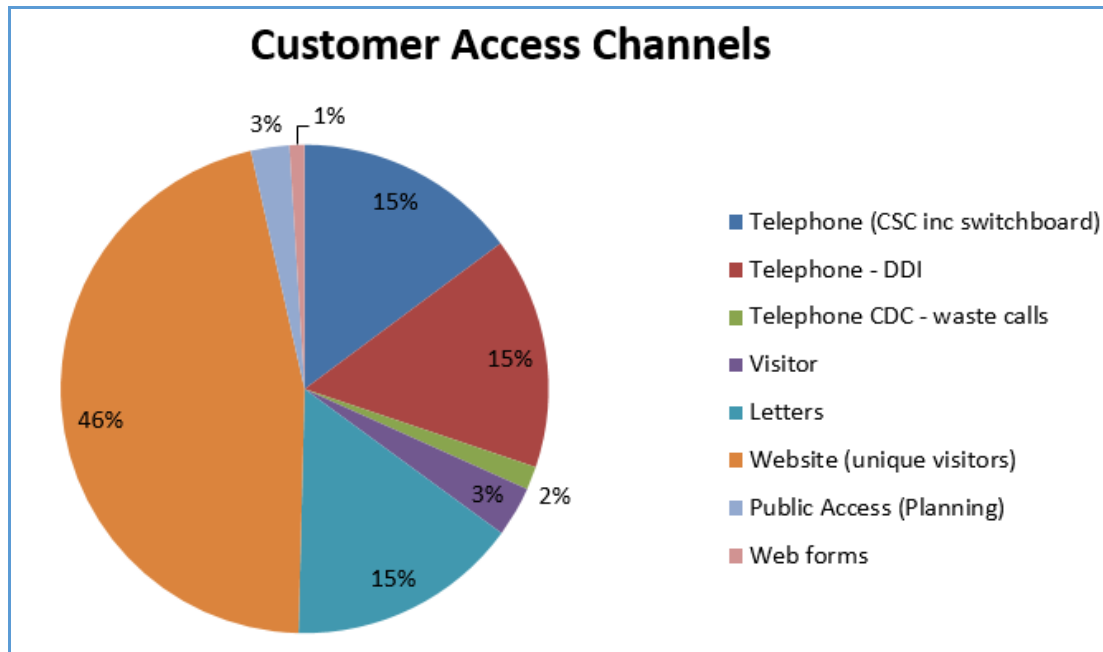
The table below provides an indication of when savings might be achieved, the key savings will arise from the divestment of the physical server assets and associated costs (maintenance, patching licenses etc). Additional savings will arise through this process which have not been projected. As the programme proceeds, a savings achieved record will be maintained to reflect that which is directly delivered and that which is facilitated but saved in a service budget.

Savings Profile Assumption						
	2018/19	2019/20	2020/21	2021/22	Totals	Comments
	£M	£M	£M	£M	£M	
Assumes pessimistic savings						
HoS ICT/HR/SSS	0.000	0.100	0.401	0.401	0.903	Savings highlighted arise from budgets within HoS ICT/HR/SSS
Illustration of one additional service Fin Sys	0.014	0.014	0.014	0.014	0.056	Suspend Upgrade - Migrate to Cloud April 2019, avoids additional host costs
Annual Projected Saving	0.014	0.114	0.415	0.415	0.959	Payback, based on £0.800M in 2021/22
Assumes more probable savings						
HoS ICT/HR/SSS	0.000	0.150	0.557	0.557	1.264	Savings highlighted arise from budgets within HoS ICT/HR/SSS
Illustration of one additional service Fin Sys	0.014	0.014	0.030	0.030	0.088	Suspend Upgrade - Migrate to Cloud April 2019, avoids additional host costs & lower price solution
Illustration of second service saving AN Other	0.000	0.020	0.020	0.020	0.060	Assumes just one more service efficiency in ICT costs (License v Application)
Annual Projected Saving	0.014	0.184	0.607	0.607	1.412	Payback, based on £0.800M in 2020/21

HOW CUSTOMERS CURRENTLY INTERACT WITH THE COUNCIL

Customer Contact - Baseline

Each month the Council receives c100,000 customer contacts. Clearly, customer contact varies by time of year and/or service activity e.g. annual billing, planning consultations, elections etc. The following chart sets out the channels customers use to interact with the Council.



Customer Service Centre

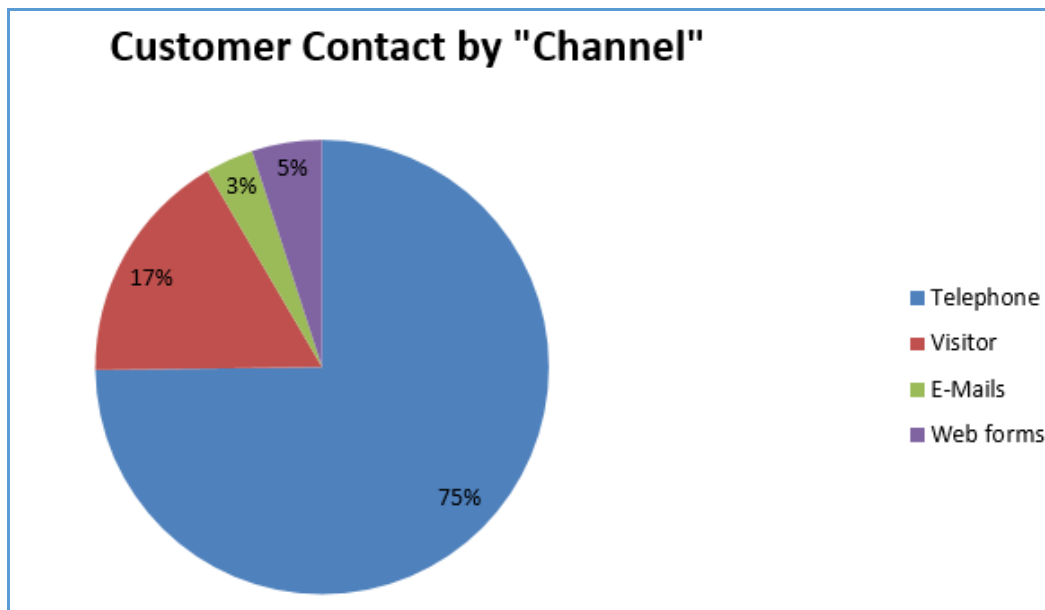
The Council created the Customer Services Centre just over 10 years ago. At this time customer facing staff were transferred from services departments into a single customer services team and a redeveloped reception area replaced multiple departmental receptions. The service was out-sourced to Northgate in 2009 and subsequently Capita LGS in 2015, on both occasions achieving service improvements and cost savings.

The Customer Services managed service provides a range of front of house services including:-

- Reception & switchboard
- Call centre
- Face to face
- E-mail
- Out-of-hours

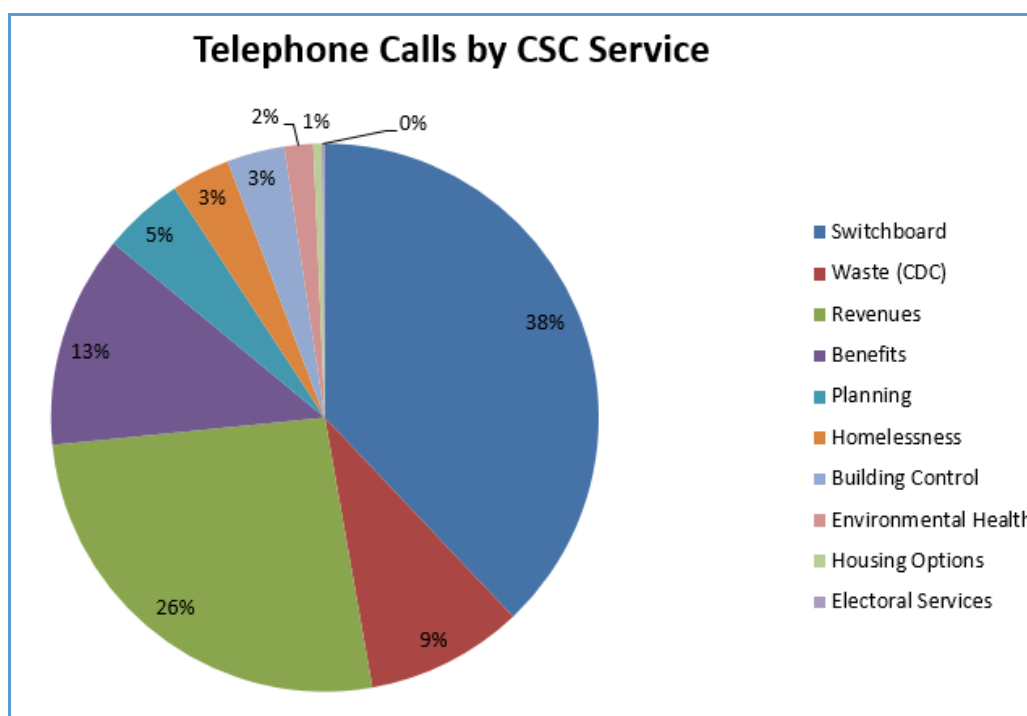
Switchboard, call-centre and out-of-hours services are principally provided by Capita from their Coventry customer services centre

The following chart sets out the ways in which customers contact the CSC services. CSC contact represents approximately 20% of customer interactions with the Council. Telephone remains the predominant customer contact channel for services provided by the CSC.



The CSC receives c14,500 telephone calls per month (174,000 per year), though call volumes can vary with higher volumes experienced during March and April and lower volumes in August and December. Monthly call volume rises to c16,000 per month when the c1500 calls to the CDC waste call service is included.

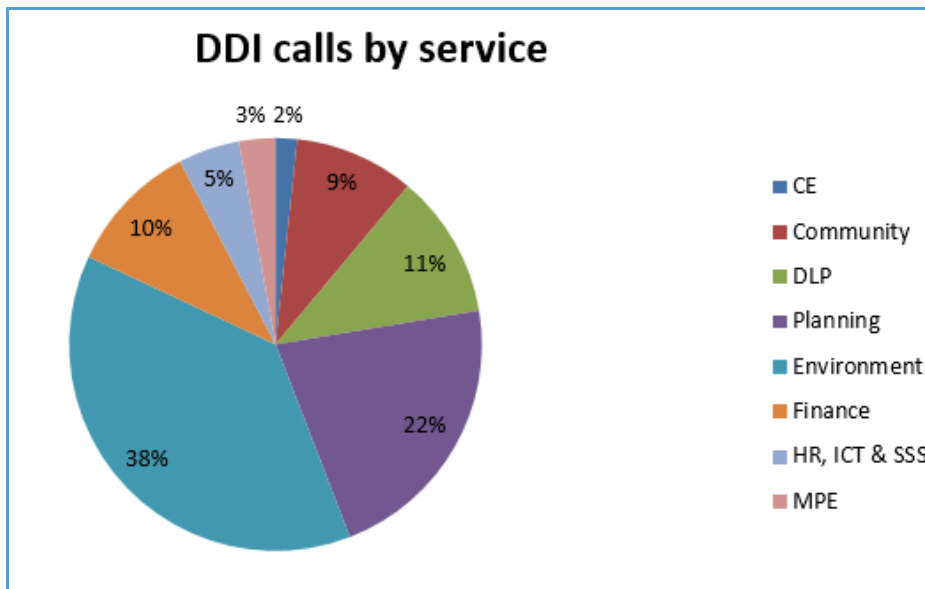
The following chart sets out calls taken by the CSC by service area.



Direct Dial calls

The Council receives c15,000 calls to direct dial numbers each month.

The following table sets out the service destination for DDI calls.

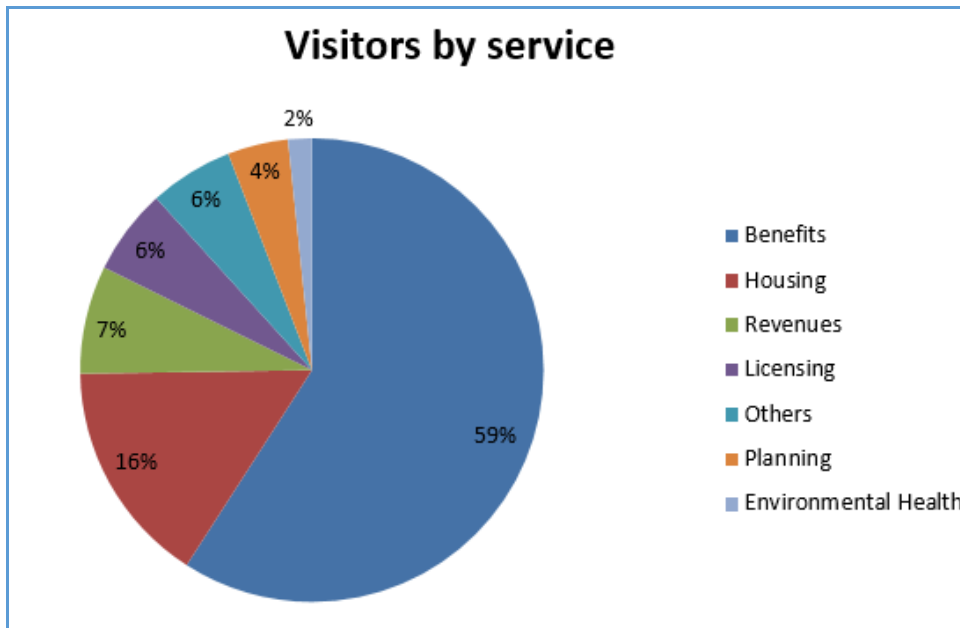


60% of call volumes to Environment are for Housing. 70% of call to Finance are Revenues & Benefits.

Visitors

The Council receives c2,000 visitors for services each month as well as 1,250 casual visitors.

The following chart sets out visitor volumes by service.



Website

The Council's website attracts approximately 50,000 unique users per month. The following chart sets out the topic areas visited by users.