REPORT TO CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE

PORTFOLIO AREA: CORPORATE RESOURCES

Corporate Resources O & S

Date of Meeting: THURSDAY –7 August 2008

Public

Key Decision: No   Recorded in Forward Plan: No

Inside Policy Framework

Title: **ICT Shared Services**
Report of: **Director of Corporate Services**
Report reference: **CORP42/08 – ICT Strategy Update**

Summary:
The Executive has referred this report to Corporate Resources Overview and Scrutiny for scrutiny. It contains the business case that has been developed with Allerdale Borough Council for the joint deliver of the ICT service at both Councils.

Recommendations:
1) The Corporate Resources Overview and Scrutiny Committee are asked, after scrutinising the business case, to make such recommendations back to the Executive as they feel appropriate.

Contact Officer: John Nutley   **Ext:**   x7250

REPORT TO EXECUTIVE

PORTFOLIO AREA:

Date of Meeting: 04-August-2008

Public

Key Decision: Yes
Recorded in Forward Plan: No

Inside Policy Framework

Title: **ICT Shared Service Update**
Report of: **Director of Corporate Services**
Report reference: **CORP42/08 – ICT Shared Service**

Summary:

This report contains an update on the joint development of the ICT shared service business case with Allerdale Borough Council.

Recommendations:

1) The Executive is asked to:-

i) Consider the business case and identify any issues for further consideration.

ii) Refer the Business Case to Corporate Resources Overview and Scrutiny Committee on 7th August for their recommendation back to the Executive, who can then make a final recommendation to Council on the proposals including the budget implications.

Contact Officer: Angela Brown/John Nutley **Ext:** 7299/7250

1. BACKGROUND INFORMATION AND OPTIONS

1.1   The local government White Paper lays considerable emphasis on Authorities sharing services to achieve efficiencies.

1.2   The Varney report also emphasises the need for boundaries to be broken down and services shared, not just across local authorities but the wider public sector.

1.3   The comprehensive spending review has also reinforced the need for authorities to consider the sharing of services.

1.4   In Cumbria we are significantly behind other parts of the country in terms of shared services due to energies being diverted by the debate over whether or not there should be unitary government in Cumbria. However the work carried out both by the County and District Council's during this period relied significantly on the principle of shared services. There was therefore broad agreement within Cumbria that Shared Services need to move forward.

1.5   The Shared Services Strategy for Carlisle City Council was agreed on the 6th March 2007 and the work being carried out in pursuance of this business case is aligned to that.

2. The ICT Project

2.1   Allerdale Borough Council and Carlisle City Council have a proven history of successfully collaborating on ICT projects and initiatives at both local and county wide levels

2.2   In April 2008, both Councils agreed to explore the potential of creating a single shared Information and Communications Technology (ICT) service.

2.3   A project initiation document was drawn up covering 17 work packages and setting out the following objectives for the project:-
- Increased capacity and capabilities
- Reduced ongoing revenue costs for both Councils
- Improved disaster recovery and business continuity capabilities (specifically including telephony and website services)
- Improvements to the current ICT services provided
- A solid base provided for all future shared service initiatives

2.4 Six possible delivery options were identified as part of the project:
- Do nothing
- Do the minimum
- Formation of a joint venture for the provision of IT
- One authority outsources all IT to another
- A hosted IT service
- An IT service hosted externally

2.5 The first phase of the project to evaluate the different delivery options in relation to each of the individual work packages was completed on 6 June 2008. Each work package leader prepared a report examining the six possible delivery options and recommended an option for delivery of that service element/function.

2.6 A scoring mechanism was developed across a range of issues to produce a preferred delivery solution for any shared service.

2.7 The preferred solution was then subject to detailed financial analysis to see how cost effective the proposal was compared to the known costs of not changing the current service. This cost analysis examined bot capital and revenue aspects of the proposal.

2.8 The IT managers from each Council have been working together to assemble all the information gathered during the project to present it in a way that answers all the issues the project was set up to address.

2.9 The business case underwent an external review by Aperia Government Services to ensure that it was adequately robust and this review was completed on 14 July 2008. A copy of their review is appended to this report.

2.10 Aperia's comments were incorporated into a redrafted business case and were signed off by the project board on 22 July 2008. The latest business case is also appended to this report.

3. Communication

3.1 The project has had the co-operation and support of all staff within the service.

3.2   A communications work package has co-ordinated the information to staff
        and Councillors and a dedicated website and forum were set up to keep
        everyone as informed as possible.

3.3   A staff briefing was held in April 2008 and another was held on 22nd July.

3.4   Regular bulletins have been sent out to staff and Councillors.

4.   Key Issues from Business Case
        The following keys points emerge from the business case:-

4.1   There is a compelling business case for going forward into a joint ICT
        service with Allerdale.

4.2   Of the 6 options considered the best form for this service is "Joint Service
        Delivery". In this form one Authority operates the ICT service but the service
        is jointly managed.

4.3   From initial work, the financial projections for the Joint Service Delivery
        demonstrate that there will be savings for both Carlisle and Allerdale over
        the 'do nothing' option in both revenue and capital terms. Some key
        assumptions have had to be made, not least the staffing assumptions and
        termination costs and the capital investment requirements over the 6 year
        period, however the figures are considered to be prudent subject to further
        work being carried out.

4.4   For both Councils combined over the next six years, capital expenditure is
        forecast to reduce from £2.854M to £1.376M in the Joint Service Delivery
        model compared to the "do nothing" model. This investment will be
        subjected to a further external analysis to ensure that it is robust. This
        investment does not include investment in new application systems, which
        may at a later stage be shared.

4.5   Over a similar six year period there would be a combined reduction in the
        ICT Revenue budget of £754k from £19,482M to £18,728M with annual
        revenue savings of over £250k from year four onwards.

4.6   For Carlisle, the model projects total savings, both revenue (£377k) and
        capital (£983k), over the next six years of £2,232M. There would however

be an up front cost in the current year to cover termination costs (estimated at £49,000 for each Council).

4.7   Over a one-year period the overall number of ICT staff across both Councils would reduce from 38 to 32. The scope of the ICT service extends to the Web service (including intranet), GIS and document management (printing) with staff reductions falling across the full breadth of the service.

4.8   Senior ICT staff from both Councils were involved in the project through their work on individual work packages. As part of the work carried out to develop the "Joint Service Delivery" option senior ICT staff designed and detailed a new ICT service which could be used to provide a quality ICT service across both Councils. This option included identifying the capital investment and staffing levels required to run such a service. It is their involvement in the project to date which convinces senior ICT staff at both Councils that not only would any future service cost less but that it would be run at a higher quality.

4.9   The business case presented is sufficient to determine whether there is a case to implement the shared service ICT project , however there are a number of issues which the business case has not yet reached a conclusion on including:-
    1) The governance of the service and in particular which Council would host the service. The project board is discussing a number of criteria that would help decide matter.
    2) How would recharges for the new service be administered and what is likely to happen to the internal recharges the existing service currently covers.
    3) The impact of job evaluation and other HR aspects covering the transfer of staff
    4) An exit strategy
    5) Further work on independent verification of the proposed capital investment. Any capital investment would be subject to a robust business case proposal being presented and approved by the relevant body.

It is anticipated that these would be resolved during the implementation project. It is recommended that the final decision on these matters once approval is given to the implementation stage of the project, that decisions in these areas are delegated to the Leader, Portfolio Holder and Director of each Council.

5. RECOMMENDATIONS

Recommendations:

The Executive are asked to:-

     i) Consider the business case and identify any issues for further consideration.

     ii) Refer the Business Case to Corporate Resources Overview and Scrutiny Committee on 7th August for their recommendation back to the Executive, who can then make a recommendation to Council on the proposals including the budget implications.

6. REASONS FOR RECOMMENDATIONS

The approval of the business case will mean that the implementation phase of the development of a shared ICT service with Allerdale Borough Council can commence resulting in an improved service at a lower overall cost to both Councils.

7. CONSULTATION

7.1   Consultation to Date

A comprehensive communication plan for staff was formed as part of the project. A Joint staff meeting with Allerdale staff to present draft business case took place on 22 July 2008. SMT were presented the business case and their comments were received on 22 July 2008.

7.2   Consultation proposed.

We are now undertaking a period of consultation with staff, members and stakeholders. The consultation will last until Monday 4th August and the business case will be available on each Council's website.

The Joint Consultative Committee will receive the report on13/08/08 (or special)

8. IMPLICATIONS

- Staffing/Resources –
  Addressed within the business case
- Financial –
  Addressed within the business case
- Legal –

Legal services have formed part of the project team and their comments have been included

- Corporate
- Risk Management –
  Addressed within the business case
- Equality Issues –
  None
- Environmental –
  The proposed ICT capital investment in certain areas will result in a measurable energy saving. This has been identified and incorporated into the business case.
- Crime and Disorder –
  None
- Impact on Customers – Improved Service envisaged, albeit there may be a drop in performance whilst the new service is being set up.

ANGELA BROWN
Director of Corporate Services
and
Joint Project Sponsor of the ICT Shared Services Board

Contact Officer: John Nutley   Ext: 7250

Working together in Partnership

NORTH CUMBRIA SHARED ICT

BUSINESS CASE

Version: V1.0_Final

Authors: **Stephen Kirkpatrick**
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Date: 23/07/08

Version Control

Version	Date	Author	Comment
0.1a	07/04/08	SK	Basic draft structure established.
0.1b / c	Various	SK	Structure updates.
0.1d	13/06/08	SK	Updated following board meeting with agreed document structure and economic case methodology.
0.1e	18/06/08	SK/JN	Section 2 updated with JN comments. Section 4 updated with draft results of the joint options analysis.
0.1f	19/06/08	SK	Section 2 and 3 updated. Section 4 updated with revised weightings and sensitivity analysis.
0.1g / h	23/06/08	SK	Section 5 updated and general updates.
0.1j / k	24/06/08	SK/JN	Further updates.
0.1l / m	24/06/08	SK	Updates to sections 7 and 8. Scoring for printing work package options corrected and general formatting changes.
0.1n	25/06/08	SK	General updates, including risk register inserted. Work package detailed appendices moved to separate support document.
0.1o	25/06/08	SK/JN	Executive summary (first version) added, corrections made following proof reading by HC, current finance information narrative (section 3.4) added.
0.1p	26/06/08	SK	Updates following board review and meeting with work package leaders.
0.1q	26/06/08	SK	Formatting updates. Included updated procurement & HR wording by Nick Fardon / Philippa Hardy. Distributed to Aperia for review with finance case section to follow.
0.1r	01/07/08	SK	Updated staffing sections (3.2, 7.5) and added financial section (6). Removed 5.7 (budgeting) as covered within financial case section.
0.1s / t	02/07/08	SK	Updated financial aspects of Executive Summary and section 6 in consultation with Mike Thompson.
0.1v	15/07/08	SK/JN	Updates following Aperia feedback.
0.1w	16/07/08	SK	Further updates following Aperia feedback.
0.1x	17/07/08	SK	Aperia and SK comments removed and accepted changes following JN feedback and distributed to board for review.
0.1y	20/07/08	JN/MT	Include MT Finance sections and reworked capital figures.
0.1z	21/07/08	JN/MT	Finalised finance figures.
0.2a / b	22/07/08	JN/MT	Minor corrections to finance figures
0.2c	23/07/08	SK	Incorporate recent changes in to master document and incorporate feedback from board meeting.
1.0_Final	23/07/08	SK	Final version to be released for consultation on 25/07/08.

Acknowledgements

This business case has been prepared using the valued contributions of many key individuals within both organisations.

Particular thanks must go to the Work Package Leaders, Deputies and Team members who have put a great deal of effort in to considering the technical, organisational and financial aspects of their designated specialist areas; producing output which has provided the crucial detail required to produce this business case within a very challenging timescale.

Specific thanks must also go to Mike Thompson who has contributed enormously to the financial aspects of this business case and to Hazel Cushin & Su Money for their invaluable project management and project support roles.

A full list of those officers principally involved in the development of this business case can be found in the appendices.

Supporting Documentation

This business case document is to be read in conjunction with a supporting 'work package appendices' document which provides detailed extracts from the relevant work package reports.

Table of Contents

1.0   Executive Summary

This document details the results of an extensive exercise to examine the creation of a single strategic and operational unit to provide shared Information and Communication Technology (ICT) services to Allerdale Borough Council and Carlisle City Council.

The brief to the project team was to develop the business case and to determine the best vehicle for accomplishing this. The implementation phase of any such project is specifically excluded and will be addressed as a separate project only after any approval to proceed has been given by the respective Councils.

The project team in particular were asked to explore whether any such converged service would result in:

- Increased capacity and capabilities.
- Reduced ongoing revenue costs for both Councils.
- Improved disaster recovery and business continuity capabilities (specifically including telephony and website services).
- Provide a solid base for all future shared service initiatives.
- Improvements to the current ICT services provided.

The project team were also asked to consider whether the development of a shared service would result in a more advanced service, in a shorter time, at a reduced cost, as opposed to developing the service as two separate departments.

The business case has been developed using the 'Five Case Model' as a template, which is the model developed and approved by the Office of Government Commerce (OGC).

Presented below are the outcomes of each of the five cases:

The Strategic Case describes the current service provision at both Council's and details the main issues which are driving the need for change, including strengths and weaknesses of the current services, the current ICT expenditure and the wider shared service context.

The strategic case also identifies that the current configuration of two separate IT Services departments would be unable to provide the platform to support wider shared services across both Councils, whereas, the creation of a Shared ICT Service would act as a platform to enable additional future shared services.

The Economic Case outlines the various options through which a shared service could be delivered. Six possible models in total are identified which are then assessed and scored. After a comprehensive analysis a preferred option is selected with two reserved options which could be adopted if subsequent analysis show the first is flawed. This is a key part of the business case and provides important supporting evidence for the conclusions which are reached.

After a detailed assessment it was determined, and is evidenced in the business case, that the best option going forward would be a single

service delivered jointly managed by both Councils (Joint Service Delivery). At this time this would be the preferred delivery vehicle with the options of one Council outsourcing to the other and the formation of a joint venture company for the provision of ICT being two reserved positions.

The Commercial Case has much of the detail concerning any new service. It addresses what the service will deliver and its relationship to the parent authorities, i.e. the governance arrangements.

It is proposed that a Joint Member Committee be established to oversee the strategic direction of the Shared ICT Service supported by a Joint Operational ICT Steering Board composed of Directors and Senior Managers from both organisations. It is of note that the proposed model is not overly bureaucratic and is not dissimilar to how both Units currently operate. This governance model means that there will be no the loss of flexibility or responsiveness of the new shared operation to respond to either Council's information or business requirements.

The commercial case goes on to detail contractual issues that need to be addressed between Councils, discusses HR issues, procurement implications, trading options and proposes an agreement term of six years.

Radical proposals such as those detailed in the business case carry an element of risk and this can be significant when the subject is such a key service. To minimise these risks a formal contract, or shared service agreement, would need to be signed between both Councils that would give the necessary safeguards and assurances to ensure long-term confidence may be placed on the new operation.

The business case does not address the issue of which Council would act as the host, or employing, authority which will need to be considered and agreed at a later date.

The Financial Case provides an evaluation of the capital requirements for ICT central infrastructure and the ongoing operational costs in the event that both Authorities continue to operate and maintain separate ICT functions. The financial case also demonstrates the significant cost benefits, both in terms of revenue and capital funding of creating a shared ICT service.

The basic rationale is that investment in a shared infrastructure will, through joined up working arrangements, provide the benefits of increased efficiency and reduced duplication of the management and administration of both tasks and personnel. Significant ongoing revenue savings are facilitated mainly through a combined ICT functions ability to reduce its staffing establishment. Over a period of 12 months from the formation of a shared service it is assumed that the merged function will enable a reduction from 38 FTE employees to 32.

The explanation as to why there is an improved capital and revenue benefit in proceeding with the shared service lies in three areas.

Firstly, the capital investment in ICT technology and services that would be needed to ensure both Councils have systems that are reliable and effective is shared between both Councils.   Coupled with the fact that this shared investment produces double the benefit as both Councils reap the reward of the investment results in the types of savings this business case highlights.

Secondly, the Work Package Leaders have come forward with investments which produce economies of scale and seek to reduce on-going revenue costs. So, for example, proposals to develop a joint Storage Area Network – a centralised bank of data disks - between both Councils, will cost less than if Council embarked on such a project as this on their own. It will also enable a mutual Disaster Recovery facility to be developed triggering further savings in this area.

Thirdly, there would need to be further capital ICT investment in application areas (to support ongoing rationalisation) as they come forward to be part of shared services. The costs for those investments would form part of the respective business case developed for that area.

The contribution towards on-going capital and revenue costs is to be split on the basis of current investment in these areas. For capital this would be Carlisle at 60% and Allerdale at 40% and for revenue this would be Carlisle at 55% and Allerdale at 45%.

The overall financial case is compelling and savings over the 6 year period 2009/10 to 2014/15 are estimated to be in the order of £2.23million. This sum is comprised of capital savings of £1.478 million and revenue savings of £754K over and above a do nothing option (i.e. the cost to the Authorities of doing nothing is still significant in terms of ICT capital investment requirement). In overall terms the shared service would be cash positive in Year 2 with significant revenue savings from that point in time. Based upon each Authority sharing any staff termination costs and ongoing revenue savings on a 50/50 basis, each Authority would benefit by an estimated sum of £377k in terms of operational costs which averages out at around £63k per annum. In respect of capital, Carlisle would, given the disparity of operation and client base fund a higher proportion of the infrastructure investment (i.e. 60%) and in terms of savings against currently envisaged budget bids by both Authorities the estimated figures for CCC and ABC are £983K and £495K respectively.

The potential financial benefits are perhaps best illustrated by the following stacked bar chart:

6 Year Costs for Seperate ('Do Nothing') and Shared ICT
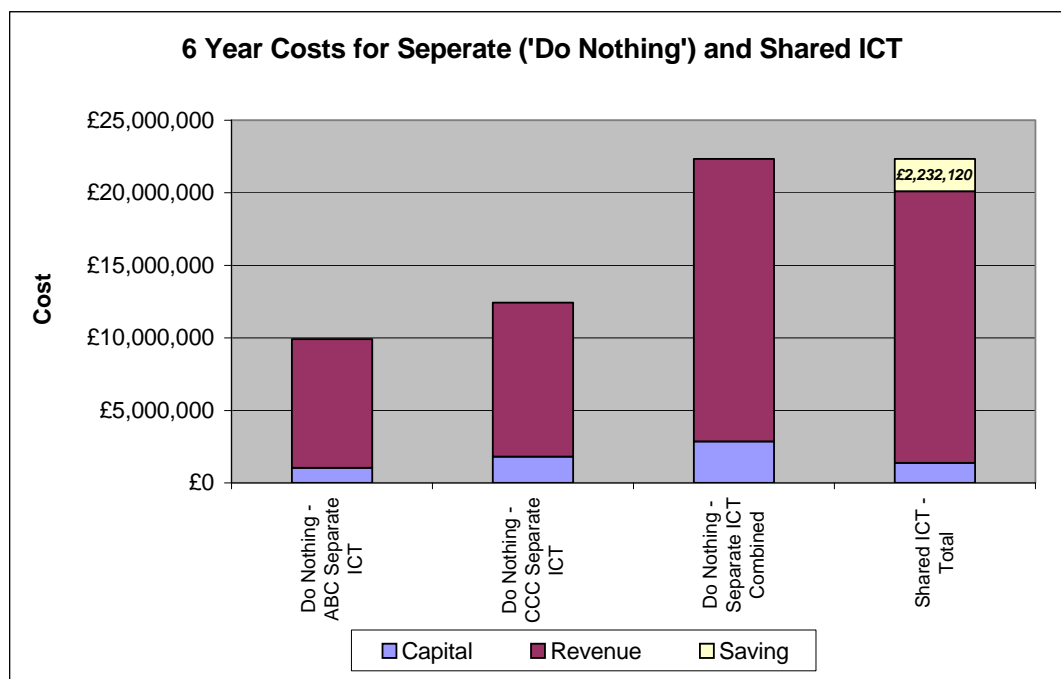
In terms of payback, the actual investment to establish high speed links between Carlisle and Allerdale and to provide the necessary infrastructure to facilitate an evolving shared service would be £750K. Taking the savings indicated above, this investment provides a rate of return of 168% after the adoption of a 5% discounted cash calculation to reflect the time value of value given a high proportion of up-front costs. In purely cash terms the rate of return would be 197%.

The implementation of a shared ICT service between Carlisle City Council and Allerdale Borough Council has a compelling financial case in isolation. However another key factor is that such an implementation would be a key cornerstone to support the rationalisation of applications and back room operations and this would generate further significant savings achieved by collaborative working arrangements between the two Authorities.

The possibility to access external funding to support the implementation of the Shared ICT Service has not yet been explored but should be, particularly in the area of initial start-up costs.

The project is not however without risk and in revenue terms, there is substantial reliance on staff savings which may be affected by the results of the job evaluation exercises being undertaken at each Authority or the failure to reduce staffing numbers as envisaged. There is also further analysis required of existing revenue spend. For prudence purposes, these risks have been sensitivity tested and there is a large margin for error. However notwithstanding that, the capital programme proposed will be subjected to external verification to ensure that the initial infrastructure requirements and ongoing investment are not under or indeed overstated.

The Management Case describes many of the operational aspects of the preferred service model. It includes information on a proposed new structure, the philosophies to which it will adhere and provides an overview of the HR, Financial and other support arrangements that will be implemented.

As part of the work carried out, proposed organisational structures were developed for each of the delivery options where relevant. For the selected option; Joint Service Delivery, an organisational structure is presented. The structure has been sense checked with the existing ICT Management teams and there is a high degree of confidence that it will be suitable for operational needs.

The final salary model and terms & conditions applicable to the new structure will be subject to job evaluation and pay review, again pending the decision on host authority. The financial case includes a contingency sum for this, however it remains to be verified when the results of the job evaluation and any impact on subsequent pay review are known.

The results of the new organisation chart confirm the assumptions that there will be savings in the area of staff numbers and costs by bringing the two IT services together.

The implementation of the proposed new structure will ultimately require transfer of staffing under TUPE regulations. As detailed earlier however, both Councils would maintain joint control.

Previous reviews and studies which looked at converging business areas all conclude that the majority of savings from joint IT operations will arise when back office business applications are brought together.

It must be noted that significant savings will only be realised through a structured programme of business application rationalisation, which would not be possible without the ICT services being shared in the first instance.

The costs for rationalising these business applications are not included in this business case and will be brought to Members for approval as separate shared service business cases, however the annual impact on application support costs would typically be in the region of 15-20% reduction per application.

The Business Case highlights that the new joint service will result in enhanced disaster recovery arrangements for both Councils which will also achieve a cost saving. In addition, though not specifically addressed, the Emergency Planning and Civil Contingency commitments that each Council has statutory requirement to meet will be greatly enhanced.

External Review

A critical external review of the business case was undertaken by Aperia Government Services, with assistance from the Chartered Institute of Public Finance and Accountancy (CIPFA) to examine the financial aspects.

Aperia have worked on over 20 successful Shared Service orientated projects in the North West and also with the Department of Communities and Local Government (DCLG).

The review concluded that 'from an external perspective, it would seem that there are positive factors that can support a successful shared service:

- Commitment and dedication of the entire project – from members through to senior offices and critically including some of the affected staff

- It is believed that there is a good "fit" between the authorities in terms of culture and strategic fit

- The strengths and weaknesses of the two ICT services seem to be mutually beneficial.'

Conclusion

The conclusion of the report is that any converged service would result in an improved service to both Councils, would be more efficient and produce a service that is more resilient.

It recommends that the service be delivered through the mechanism of shared joint delivery.

In addition, there would be a number of longer term opportunities which both Councils would be able to benefit from in the future:

- Provide a solid base to enable future shared services to be developed.
- Gives greater opportunities for revenue generating activities.
- Gives a model into which other District Councils could opt into in the future.
- A single ICT platform which would be more cost effective for both Councils.
- Reduction in on-going capital expenditure.
- Better career development opportunities for staff.

Recommendation

In view of the conclusions reached by the business case and its subsequent external verification, it is recommended that members agree to proceed with a joint shared service for ICT as it is felt that this provides the best service delivery for both Councils and best meets the aims of the project.

It is also recommended that:

- The future decisions regarding business applications in use across both organisations be made on a shared basis where applicable.

- The decision on which Council will act as accountable employing body be delegated to the Leader, Portfolio holder and appropriate Director of each Council.

2.0   Preface

2.1   Introduction

This business case has been developed for consideration of the potential to create a single strategic and operational unit to provide shared Information and Communication Technology (ICT) services for Allerdale Borough Council (ABC) and Carlisle City Council (CCC).

The principle drivers for the consideration of merging the current ICT teams include:

- Increased capacity and capabilities.
- Reduced ongoing revenue costs for both Councils.
- Improved disaster recovery and business continuity capabilities (specifically including telephony and website services).
- Provide a solid base for all future shared service initiatives.
- Improvements to the current ICT services provided.

This report was developed internally by the Head of ICT at each Council under the guidance of the Director of Corporate Resources at Carlisle and the Director of Strategic Resources at Allerdale.

The report has also been externally scrutinised by **Aperia Government Services**[1] to provide a critical and independent review, with comments and recommendations incorporated in to the final proposal.

2.2   Project Background

Allerdale and Carlisle have successfully worked together over recent years on a number of ICT projects including the joint procurement of new telephony services and new HR & Payroll systems.

Following discussions between the Directors and Heads of ICT at both Councils it was agreed during March 2008 to undertake a joint project to explore the feasibility and cost effectiveness of creating a shared ICT service for both Councils.

A joint project board was created with project management and project support resources appointed. A project brief was then agreed in the form of a Project Initiation Document (PID) and a time bound project was undertaken to consider a range of topics referred to as work packages. The main work packages included:

- Communications.
- Finance / Budgets (including savings).
- Organisational Structure.
- Human Resources implications.
- Governance / Legal (including contracts and exit strategies).
- IT Service Management.

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[1] See http://www.aperia.co.uk/default.php

- Technical Infrastructure.
- Rationalisation / Consolidation programme for business applications.
- Business Continuity / DR.
- Website (Internet & Intranet).
- Geographical Information Systems.
- Document Management services (specifically print).
- Partnerships & commercial engagements.

These work packages were led by a mix of key staff across both organisations (with backup from the other organisation).

Regular member and staff updates have been provided in the form of joint workshops, project meetings and staff/member bulletins.

This business case has been developed utilising the outputs of all work packages and is now offered for consultation and review by Councillors.

2.3   Project Objectives

This agreed project objective was to investigate the potential for a Shared ICT Service and, if appropriate, to deliver a business case for the creation of a shared service across both Councils to allow consideration by Corporate Management and elected Members.

2.4   Project Scope

The scope of this project was to consider the potential benefits that could be achieved by the creation of a Shared ICT Service for both Councils.

The scope included the following functional areas:

- ICT services (applications, infrastructure, development, telephony).
- Website services (external Internet & internal Intranet).
- Geographical Information and Local Land & Property Gazetteer services.
- Printing services.
- Members ICT.
- Related ICT activities including Administration, Project Management, Partnerships & Commercial Engagements.

2.5   Overview of the Five Case Model

This business case has been developed using the 'Five Case Model' as a template. The model is the Office of Government Commerce's (OGC) recommended standard for the preparation of business cases and is used extensively within central government departments and their agencies.

It is referenced by HM Treasury in the latest version of the Green Book and it has been used extensively for PFI and PPP projects within the NHS. Over recent years the model has also been adopted by Local Government for the production and evaluation of business cases.

3.0 The Strategic Case

3.1 Strategic Overview

As is the case across the majority of Local Authorities, both Councils independently staff and operate in house IT departments to cater for all of the support and development needs of the organisation in terms of computer and telephony systems.

The duties and activities of each department are predominantly the same, although there are understandably local variations in terms of how particular services are provided.

For example, at Allerdale, Geographical Information services are provided from within the IT Services departments, whilst at Carlisle, these are provided from within the Planning department. Similarly, printing services at Carlisle are provided from within the IT department at Carlisle but separately at Allerdale.

For the purposes of this shared ICT project, the staffing and all associated costs (including system and infrastructure costs) for all areas included in the scope of the investigation are considered within the business case.

3.2 Current Organisational Structures

The following table provides a summary of the current staffing levels at both Councils in terms of Full Time Equivalent (FTE) staff allocated to each of the current functional areas within the current IT sections:

Functional Area	Current		
	ABC	**CCC**	**Total**
Head of Service	1.00	1.00	2.00
Team Management[2]	0.75	1.25	2.00
Service Management *(1st / 2nd line support for infrastructure / desktop / telephony admin etc)*	2.50	5.50[3]	8.00
Print	2.00	2.25	4.25
Infrastructure *(3rd line support / telephony technical*	1.65	3.75	5.40

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[2] Team Managers at each Council combine management with hands-on duties, and are therefore split partially across the team management function and their respective specialist area.
[3] Includes 1 FTE long term temporary position at Carlisle.

support / Projects)			
Web / eCitizen	2.70	1.00	3.70
Application *(Support & projects)*	1.35	3.50	4.85
GIS / Gazetteer	3.05	3.25	6.30[4]
Administration / Budget Support / Project Office (Support)	1.00	0.50	1.50
	16.00	**22.00**	**38.00**

The Allerdale Borough Council IT Services Department is structured as three principle areas, concentrating on business as usual (support and administration), eGovernment activities (including Internet & Intranet, GIS and Gazetteer services) and Infrastructure development[5]. Print services are provided separately to IT as part of a corporate Document Management function (also including post and scanning/indexing); however this also ultimately falls under the responsibility of the IT Services Manager.

The Carlisle City Council ICT Department is structured as two principle areas, concentrating on Applications and Information (including application support and development and Internet but not Intranet) and Infrastructure & Network (including help desk, infrastructure support and development and print services). As detailed earlier GIS and Gazetteer functions are provided from within the Planning Department, whilst the Intranet is owned and supported within the Corporate Performance function.

Both departments support a range of partner and external organisations, some for free under Council wide arrangements, and some generating revenue income streams. It should be noted here that Carlisle currently undertake a far wider range of revenue generating external support activities than Allerdale, which fund one member of staff on a contract basis.

It is recognised that the creation of a Shared ICT Service would bring greater opportunities to develop external revenue income streams which is considered later as part of the commercial case.

Relevant staff within both Councils are predominantly employed on a permanent basis with some long term contract/agency positions, predominantly in the GIS/Gazetteer functions.

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[4] Includes 2 long term temporary positions, with one being at each Council (equating to 1.8 FTE's).
[5] Please note that that Allerdale are currently moving towards a two team model for IT Services with Support and Infrastructure Development coming together.

Additionally, there are number of user department based administration of application functions across both organisations (such as setting up new users within an application), with the approach being broadly similar across both Councils. The approach would predominantly stay the same in any new structure, although the new service would provide greater support and guidance to these user department based administrators

Putting the local structures aside, both departments fundamentally have the same responsibilities to act as an **enabling** service to provide the support and tools for all business areas of each Council to undertake their line of business and to support the Councils vision and aims. The aim is to provide a cost effective and end to end Information & Communication Technology (ICT) service to both Councils.

3.3   Current Strengths and Issues

As part of the Shared ICT project, both Councils undertook an on-line survey inviting contributions from members, officers and partners.

The results of the survey were very informative with the following headlines[6]:

- 84% of all respondents said that their computing needs for the job were adequately met.
- 41% of respondents said that ICT in the organisation met day to day needs 'very well', with a further 46% saying that they were met 'fairly well'.
- 11% thought that the ICT unit is managed very or fairly poorly.
- 66% did not feel very involved or not at all involved in influencing ICT developments in their organisation.
- The computer systems in both organisations were viewed as fairly or very reliable by 87% of respondents.
- More than three-quarters (78%) said that when they report an IT problem, they were happy with how quickly they got an acknowledgement. The overall satisfaction level was only slightly less when considering the time taken to finally resolve an IT problem at 75%.
- 66% were happy with the updates given on the progress towards resolution of a problem.
- 71% were either very or fairly satisfied with the quality of solution that is provided when the helpdesk call was closed
- Just 8% were fairly or very dissatisfied with the knowledge and expertise of the personnel dealing with their call to the IT helpdesk
- 89% were very or fairly satisfied with the helpfulness of the IT personnel dealing with their call to the IT helpdesk

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[6] 264 took part in the survey, 65% in Carlisle and 35% in Allerdale. A full copy of the survey can be made available on request.

- The intranet was used more than once a day by 54% of respondents and once a day by 22%.
- The Intranet usefulness was rated by 18% as the best source of information, by 40% as a useful source of information and by 41% as providing some useful information.
- 55% did say that the intranet/website mapping addressed your work requirements reasonably well.
- Overall, 40% were very satisfied and 43% were fairly satisfied with the IT service as a whole.

The above results highlight that there are some areas of definite strengths to the current services in terms of helpfulness of people and reliability of systems, but that there are also significant areas for improvement in terms of user department involvement with the direction and evolution of their IT systems and in general with work to do in terms of overall satisfaction levels in the services provided.

It should be noted here that responses varied across both Councils, with satisfaction levels generally higher at Allerdale.

For example, the Intranet service at Allerdale has been in place far longer than at Carlisle and is recognised to be better used and more developed. The Allerdale Intranet could potentially be expanded to both Councils (maintaining separate branding and separate data/information) whilst incorporating some of the good document management features of the Carlisle website to provide a better service to both.

Carlisle scored better in terms of number of staff being trained in the use of IT systems, however Allerdale scored slightly higher in terms of satisfaction levels in the training. A combination of the approach taken by both Councils would potentially be beneficial.

Almost 96% of respondents at Allerdale felt that their computing needs were adequately met, whilst this figure was almost 78% at Carlisle.

The results of the survey would help to direct any new service to adopt the best approach in a specific area for one Council to apply to both organisations.

Looking beyond the cold statistics of any survey, it is recognised that the IT Service functions within both Councils provide a flexible and broadly responsive service but that they are constrained by a lack of capacity to adequately meet the needs of all business areas across both Councils.

It is also recognised that a great deal more can be done in terms of Business Continuity and Disaster Recovery planning and that this could be done more cost effectively in partnership with another organisation.

Whilst both IT departments, and indeed Councils, predominantly do the same thing, it is recognised that they are usually done on an individual

Council basis, meaning that there is much unnecessary duplication of effort and investment to achieve the same results. This obviously highlights that rationalising processes, structures and, fundamentally, systems & infrastructure, could lead to significant efficiency savings in terms of both effort and expenditure.

3.4   Current ICT Expenditure

The table below provides a summary of the current like for like operational costs in both Authorities in respect of the financial year 2008/09:

CATEGORY OF EXPENDITURE	2008/9 BUDGETS		
	CCC	**ABC**	**TOTAL**
STAFF			
ICT	£600,900	£386,100	**£987,000**
GIS/LPG	£109,300	£76,800	**£186,100**
Printing	£39,200	£44,100	**£83,300**
Sub Total	**£749,400**	**£507,000**	**£1,256,400**
SERVICES			
ICT Transport	£18,400	£9,100	**£27,500**
Hardware / Equipment Related	£114,600	£96,600	**£211,200**
Software Related	£496,500	£467,400	**£963,900**
Network & Telecommunications	£182,400	£152,700	**£335,100**
Other ICT Supplies & Services	£29,600	£17,600	**£47,200**
GIS/LPG – Other Expenditure	£49,100	£47,400	**£96,500**
Printing – Other Expenditure	£52,500	£86,700	**£139,200**
Support Service Costs	£121,800	£95,900	**£217,700**
External Income – IT	-£37,000	-£1,700	**-£38,700**
External Income – Printing	-£6,400	-£2,500	**-£8,900**
Sub Total	**£1,021,500**	**£969,200**	**£1,990,700**
TOTAL	**£1,770,900**	**£1,476,200**	**£3,247,100**

Commentary on budget figures

In order to produce figures of meaningful comparability, alternative accounting methods had to be identified and uniformity introduced, where appropriate, to provide the baseline costs presented in the table.

All costs of a true capital nature, including depreciation have been excluded; however revenue type costs which recur annually have been included on the basis that they do formulate part of the true ongoing operational cost of the service. Whilst undertaking the cost verification and accounting reconciliation exercise it also became apparent there were a number of budget deficiencies and therefore baseline costs have been based on predicted out-turn rather than existing budgetary provision. The major adjustments were as follows;

- LPG staffing costs funded out of capital, which have been ongoing at both Authorities for a number of years, have been incorporated within baseline costs under GIS/LPG Staff; the relevant figures being £23,400 for Carlisle and £17,800 for Allerdale respectively.

- Software related costs at Allerdale are fully controlled through the IT Section but at Carlisle there has been a degree of devolvement to other departments. In order to provide comparability these devolved costs amounting to £98,000 have been added back to Carlisle's baseline which has also been increased to cover a budget deficiency of just over £70k and to account for £75,000 in respect of annual Microsoft enterprise licences traditionally funded out of capital. It should be noted however that £30,000 worth of Cisco telecommunication costs were re-allocated away from software related costs.

- Mobile Telephone cost disparities existed between the two Authorities as Carlisle's figure only reflected its own ICT costs whereas Allerdale reflected Authority wide expenditure which is controlled by ICT and recharged by them to Departments. A sum of £40k has been added to Carlisle's baseline cost to ensure uniformity within the Network and Communication expenditure category. At the same time, an extensive exercise was carried out on other telecommunications at CCC and as a result, a further £54,000 worth of devolved costs have been added to baseline costs together with the £30,000 worth of Cisco system costs previously mentioned.

The above table reflects overall baseline operational costs of £3,247,100 at 2008-09 expenditure levels with 54.5% (i.e. £1,770,900) of total costs being attributable to Carlisle and 45.5% (i.e. £1,476,200) to Allerdale. The overall financial disparity between the operational spending of both Authorities is therefore in the region of £295,000 per annum. Differences between the operational workings of the 2 Authority's and staffing numbers are discussed in more detail elsewhere in the report but the disparity between the costs is mainly attributable to higher ICT staff costs at Carlisle (i.e. around the £215,000 mark). This is substantially due to differing service user requirements where nearly 1300 end-point devices (i.e. PC's and Laptops) are supported at Carlisle, including external users, as against the comparative figure of just over 500 at Allerdale. Similarly in terms of software, Carlisle supports over 900 users as against the 500 at Allerdale. In terms of hardware, Carlisle provides all infrastructure

support in-house whilst Allerdale have out-sourced this function. The reasons for other significant disparities are as follows:

- ICT transport costs at CCC are more than double than those at Allerdale due to a number of staff at Carlisle taking advantage of leased car availability under current remuneration packages.

- Network and telecommunication costs at CCC are £30,000 higher at Carlisle which equates to a difference of 16%. This is again as a consequence of the higher number of users at CCC and by virtue of Carlisle supporting 24 remote sites as against the 13 at Allerdale

- GIS/LPG salary costs at CCC are in excess of £30,000 (i.e.42%) higher than at ABC and this is mainly attributable to Carlisle having to play catch up, having introduced corporate GIS and LLPG later than most other Local Authorities.

- Excluding salaries, other print-room expenditure at Allerdale is £34,000 higher than that of CCC. This is partly due to a higher scale of centralised operations at ABC and partly due to higher equipment costs.

- Overall external Income of £43,400 at Carlisle is significantly higher than the £4,200 at Allerdale due to the higher number of "third sector" organisations utilising the services of CCC.

The estimated revenue/operational cost to Carlisle and Allerdale of providing the shared service using 2008/09 as the base, is £1,770,900 and £1,476,200 respectively. As previously indicated these annual costs are out of step with current budgetary provision.

A summary of the position is as follows:

2008/09 Revenue Budget	CCC	ABC
IT & Printing	£1,283,400	£1,519,900
Devolved Budgets	£360,600	£17,800
Capital Adjustment	£75,000	-£25,000
Less Connected Cumbria budget	-£16,000	-£15,000
Other Adjustment		-£34,200
Total Budget Provision	**£1,703,000**	**£1,463,500**
Cost of proposed Shared Service	**£1,770,900**	**£1,476,200**
Shortfall	**£67,900**	**£12,700**

The above shortfalls are currently being met from corporate budgets and a decision will need to be made as to whether to vire or find these sums from other existing budgets.

3.5   The Wider Shared Service Context

It is now clearly understood and accepted that Local Authorities need to become much more efficient and effective in the targeted use of their resources (including staffing and finances) in order to provide services to their customers.

The bottom line is that this ultimately means doing more, or at least the same, for less. This can only be done by transforming the way we go about providing our services.

Furthermore, it was also recognised in the 2006 *Strong and Prosperous Communities* white paper[7] that technology is one of the most important tools for achieving this transformation.

The white paper also highlighted that there are significant opportunities to improve the quality and efficiency of services through collaboration by joint, or shared, working.

Additionally, the Government's Chief Information Officer[8] (CIO) website highlights that shared services can deliver efficiencies and improve both effectiveness and the employee or customer experience by standardising, simplifying and consolidating service provision. They can also provide opportunities for investment in areas such as new systems, which would not otherwise be affordable.

The CIO also highlights that the sharing of services often begins with corporate services such as IT, HR, Finance but that possibilities exist across all operational support and front line services.

Reports such as Gershon[9] and Varney[10] also highlight the clear benefits that can be gained from sharing services across the UK public sector and highlight that experience from the private sector shows that typically corporate shared services can deliver efficiencies of between 20% and 50%[11].

This all said, it must be noted that Local Authorities should not simply be developing shared services for the sake of it on the back of such reports, but that they should carefully consider what they want to achieve and then consider the most effective way of achieving those objectives, whether individually or in partnership.

All Local Authorities in Cumbria have recognised the need to, and more importantly the benefits of, working together more closely and are developing plans and strategies to exploit this potential.

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[7] See section 7 'Efficiency – Transforming Local Services' in the white paper at
http://www.communities.gov.uk/publications/localgovernment/strongprosperous
[8] See http://www.cio.gov.uk/shared_services/introduction/
[9] See the 2004 review 'Releasing Efficiencies to the Front Line' by Sir Peter Gershon CBE at http://www.lcpe.gov.uk/Library/National_Strategies/gershon.pdf
[10] See the 2006 review 'Service transformation: A better service for citizens and businesses, a better deal for the taxpayer' by Sir David Varney at http://www.hm-treasury.gov.uk/media/4/F/pbr06_varney_review.pdf
[11] See http://www.cio.gov.uk/shared_services/introduction/

There have been good examples of shared working across Cumbria, however most examples are predominantly in terms of joint procurement rather than actual joint delivery of services.

There was a significant initiative during 2007 to explore the potential for the creation of a shared ICT service countywide (excluding Eden at that time). Many of the principles established during this exercise were sound, however the project ultimately failed to progress for several reasons, such as the uncertainty over Local Government Reorganisation at the time and fundamentally due to the difficulty of bringing such a large number of organisations, with differing objectives and starting points, together.

Additionally, it should be noted that corporate support services, such as ICT, HR and Finance are simply that, support services, in that they are not the major functions of Local Authorities. Therefore it is crucial to ensure that services such as ICT are deployed and managed in the most cost effective way to deliver what is required, whilst allowing organisations to channel resources towards front line service delivery.

That said, and as stated earlier, it must be noted that ICT acts as a significant enabling tool towards transformation, therefore a careful balance between cost reduction and investment needs to be maintained to achieve the optimal effectiveness.

Finally, it should be highlighted that as a support and enabling service, many of the costs of ICT are actually in the support and maintenance of business applications (such as Planning or Benefits), and that whilst the creation of a shared service for ICT will secure some financial benefits, the true benefits will only be achieved by rationalising applications in use by multiple Councils and/or ultimately creating business department based shared services.

3.6   Scheme Objectives

This business case examines how any future Shared ICT Service of Allerdale Borough Council and Carlisle City Council can best address the skills, capacity, technology and cost needs of both organisations.

The implementation of a Shared ICT Service will need to build on the many strengths across both organisations whilst addressing the identified weaknesses.

The proposed service would also be designed to address the principle drivers as identified at the project initiation stage and reiterated in section 2.1.

4.0   The Economic Case

4.1   Consideration of Strategic Options

Following a review of the potential shared service options available, the project board agreed to review the following approaches:

	Service Delivery Option	Overview
A	Do Nothing	Provision remains exactly as it is under current arrangements with no extension to partnership working. An ongoing ICT capital investment programme will be required at each Council, together with ongoing revenue budget increases.
B	Do Minimum	Provision remains largely as it is now, but tactical opportunity is taken to share any developments or procurement (i.e. PC Supply, PC Maintenance, etc.)
C	Formation of a Joint Venture for the Provision of ICT	Both Councils place their IT staff and assets into an arm's length trading agency to provide IT services to both authorities. All staff would transfer to this agency under TUPE[12] and the agency would work with the Council on a purchase provider basis. The Joint Venture would legally be a Company Limited by Share Capital or Limited by Guarantee.
D	One authority out sources all ICT to another	With this option a single authority becomes the provider, manager and controller of IT to both parties with a purchaser and provider relationship with the outsourced authority. The authority giving up its IT services would have no management responsibility for IT. All staff and assets would transfer to the provider authority. All staff would transfer to this authority under TUPE.
E	Joint Service Delivery	IT services delivered by a single management structure hosted within one authority for administrative purposes but controlled jointly by both authorities.
F	An ICT service hosted externally	IT services delivered by a single management structure hosted by an external commercial body for administrative purposes but controlled jointly by both authorities.

Each one of these service delivery options was then objectively considered in terms of work package recommendations, impact

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[12] The Transfer of Undertakings (Protection of Employment) Regulations 2006. See: http://www.opsi.gov.uk/si/si2006/20060246.htm

assessment, cost/benefit analysis, HR implications, Governance implications and finally an assessment of the risks associated with each option.

A scoring methodology was then applied (with 0 being least positive and 3 being the most positive) to each area, and then combined, with appropriate weightings, to give an overall view of each preferred service delivery option.

The following sections provide details of the assessment undertaken.

4.2   Preferred Options from Work Package reports

Each work package included an objective review of the pros and cons of each service delivery option and then gave a recommendation as to the top three options suitable to that work package.

The following table details the recommendations from each work package with the top recommendation scoring 3 points, the second scoring 2 points and the third scoring 1 point.

All work packages (except printing) highlighted that the technical solutions recommended for that functional area were only really dependant upon whether the service was to be provided in house or externally, therefore each work package found that the outcome would be consistent across options C, D and E.

	Service Delivery Option	IT Service Management	Technical Infrastructure / DR	Application Rationalisation	Websites	GIS/LLPG	Print Services	Telephony	Partnerships & Commercial Engagements	Total
A	Do Nothing	0	0	0	0	1	0	0	1	**2**
B	Do Minimum	0	2	0	0	2	2	0	2	**8**
C	Formation of a Joint Venture for the Provision of ICT	3	3	3	3	3	3	3	3	**24**
D	One authority out sources all ICT to another	3	3	3	3	3	0	3	3	**21**
E	Joint Service Delivery	3	3	3	3	3	0	3	3	**21**
F	An ICT service hosted externally	0	1	0	0	0	0	0	0	**1**

4.3   Impact Assessment

The following table provides an objective assessment of the positive impact that each service delivery option would make to achieving the key drivers established at the initiation of the project stage, with scoring based on the most positive impact achieving 3 points reducing to 0 equating to no benefit:

Service Delivery Option	Increased capacity / capabilities	Improved DR / BC	Improvement to the current ICT Service	Provide a solid base for future shared services	Total	Comment
A	0	0	0	0	**0**	Would not achieve any of the key drivers and in fact would actually detract from future shared services foundation.
B	0.5	1	0.5	0.5	**2.5**	Would achieve very little in terms of future capabilities.
C	2.5	3	2.5	2.5	**10.5**	Marked down on improvement because there would be a "separation" between the JV and the Councils which could lead to a slight dip in improvement. Felt that this may require additional cost cutting for long term sustainability and would hence reduce the potential to improve services. Additionally, concerned that an arms length organisation may not be as flexible/reactive to support further shared services.
D	2.5	3	3	3	**11.5**	Increased capacity marked down due to potential for being taken as "savings".
E	2.5	3	2.5	3	**11**	Shared decision making may constrain future shared services.
F	2	2.5	1.5	1.5	**7.5**	General improvements but not as flexible as internal options.

4.4   Cost / Benefit Analysis

Taking a similar approach, this section concentrates on the financial benefit, with an assessment of the overall capital cost implications to implement each option together with the anticipated annual revenue reduction. This assessment was based on the information provided by the Finance work package:

Service Delivery Option	Implementation Costs	Reduced Ongoing Revenue Costs	Total	Comment
A	3	0	**3**	No setup costs but no revenue savings.
B	2.5	1	**3.5**	Minimal setup costs with minimal revenue benefits.
C	1	2.5	**3.5**	High setup costs for organisation, together with capital infrastructure costs etc. HR & Governance aspects of setup would also be costly / complicated. Greater freedom to trade hence potential for external revenue.
D	2	2	**4**	Significant capital costs to setup together with anticipated positive revenue savings. Potential for external revenue (although not as much potential as JVC).
E	2	2	**4**	Significant capital costs to setup together with anticipated positive revenue savings. Potential for external revenue (although not as much potential as JVC).
F	2.5	1	**3.5**	Significant capital costs to setup together with anticipated positive revenue savings.

4.5   Human Resources Analysis

This section concentrates on the Human Resources implications, with an assessment of the overall level of effort required, complexity or arrangements, and service disruption that would be caused by adopting a particularly delivery route. This assessment was based on the information provided by the HR work package[13]:

Service Delivery Option	HR Complexity	Comment
A	3	Little impact.
B	2.5	Little impact.
C	1.5	Although the legalities of and SPV are complex the human aspect of transferring both sets of staff to a new structure are probably not so bad. TUPE regulations would apply. Transfer would be to outside body and therefore unlikely to gain trade union support.
D	2	Substantial effort probably needed. TUPE regulations would apply when transferring staff from one organisation to the other.
E	2	Substantial effort probably needed. Joint control would be maintained however one authority would act as the accountable (and employing) body, therefore TUPE regulations would apply as in option D.
F	1.5	Effort required implementing, even though being done before. Well proven route. TUPE regulations would apply. Transfer would be to outside body and therefore unlikely to gain trade union support.

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[13] Advice from Burnetts Solicitors detailed that options C, D, E & F should all be treaded on treated on the principle that TUPE regulations should apply.

4.6   <u>Governance Analysis</u>

This section concentrates on the governance implications, in terms of the effort and complexity of setting up the new service delivery model, including appropriate legal and procurement activities. This assessment was based on the information provided by the Governance work package:

Service Delivery Option	Governance Implications	Comment
A	**3**	No change.
B	**2**	Contracts / governance required for joint procurements and projects.
C	**1**	Guidance points towards potential requirement of full EU tendering. The Local Government Act 2003 contains powers for Best Value Authorities (BVA) to trade in function related activities through a company. A BVA is classified as being 'excellent', 'good' or 'fair'. Carlisle are classified as 'good', whilst Allerdale are classified as 'fair'. If a Council ceases to be classified as a BVA (i.e. dropping to 'poor') then all activities of that joint venture company must cease and be wound up. Please see the supporting work packages documentation for further details regarding this consideration.
D	**1**	The outsourcing authority would insist on plenty of safeguards.
E	**1.5**	Joint management processes would be needed.
F	**1**	Managing the contract (project delivery and BAU performance) is often difficult to achieve in terms of outsource arrangements. Not without problems but process fairly well established.

4.7   Risk Analysis

Again, taking a similar scoring approach, the following table provides an assessment of the high level risks associated with each service delivery option:

Service Delivery Option	Service Risk	Financial Risk	Reputational Risk	Total	Comment
A	0	1	1	2	Long term doing nothing is not an option
B	1	1.5	1	3.5	This would not be a sustainable model to support further shared services.
C	1.5	2	2	5.5	Innovative approach to service delivery which will carry risks, although internal control / governance arrangements will mitigate.
D	2	2.5	2.5	7	Innovative approach to service delivery which will carry risks, although internal control / governance arrangements will mitigate.
E	2	2.5	2.5	7	Innovative approach to service delivery which will carry risks, although internal control / governance arrangements will mitigate.
F	1.5	1	2	4.5	Outsourcing has been successful elsewhere, however carries a reasonable risk of failure if not managed correctly and contract is not developed properly.

4.8   The Preferred Option

The following weightings were then applied to each of the following sections:

Assessment Area	Weighting
Recommendations from work packages	**12.5%**
Impact Assessment	**22.5%**
Cost / Benefit Analysis	**30%**
Human Resources	**17.5%**
Governance	**12.5%**
Risk Analysis	**5%**

A simple totalling exercise for all areas together with the subsequent application of the above weightings gives an overall score out of a maximum of 100[14] against each service delivery option as follows:

	Service Delivery Option	Score (Maximum 57)	Weighted Score (Maximum 100)
A	Do Nothing	**13**	**47.15**
B	Do Minimum	**22**	**51.22**
C	Formation of a Joint Venture for the Provision of ICT	**46**	**65.66**
D	One authority out sources all ICT to another	**46.5**	**72.22**
E	Joint Service Delivery	**46.5**	**73.37**
F	An ICT service hosted externally	**19**	**47.50**

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[14] The weighting methodology, based on the OGC guidance, was as follows:
1) A percentage of the total possible score for each option was established by dividing the points scored for that option against the total possible for that section to give a percentage; i.e. 24 out of 24 would give 100%, 12 out of 24 would give 50%.
2) This figure was then multiplied by the weighting given to that section; i.e. for a section with a weighting of say 12.5%, the weighted for score for an option scoring maximum points would be 12.5% whereas an option scoring 1/2 points would score 6.25%.
3) The weighted score for all sections for each option was then totalled giving a percentage score out of 100%, or alternatively a score of X out of a maximum of 100 points.

4.9   <u>Option Sensitivity Analysis</u>

A sensitivity analysis review has identified that the scoring system used is robust and is not sensitive to significant changes.

The analysis involved manipulating the weightings across each section to reach a point where the overall rankings are affected.

For example, the overall top ranking option would only alter (to option D) by changing the weighting of Impact Assessment section to 75% and each of the other sections to 5.

4.10   <u>Recommendation</u>

This analysis, including the sensitivity analysis, suggests that the Joint approach to service delivery (E) is the preferred option, however subject to further external consultation regarding the Human Resources, Finance and Legal aspects, that options C (Joint Venture) and D (One Authority out sources to the other) are considered as fall back options if the preferred option is not found to be viable in terms of the complexity and cost of set-up and ongoing service management.

As noted earlier within the Governance Analysis section, the selection of a Joint Venture Company as the preferred service delivery model would require significant further consideration in relation to the status of both organisations and their ability to trade.

The remainder of this business case is taken forward on the basis of a joint approach to service delivery being the preferred option, with the joint venture and one outsource to the other as fall back options.

5.0   The Commercial Case

5.1   <u>Improvements and Efficiencies</u>

Service improvements and efficiency gains will be achieved through delivery of, and enhancements to, the products and services as detailed below:

- Enhanced ICT support services including an ITIL[15] compliant IT Service Desk, Service Level Management, and Change Management etc.

- Greatly improved Disaster Recovery & Business Continuity capabilities with services shared across both Councils and with both Councils being able to provide cover in terms of Emergency Planning needs.

- Application support and development services bringing enhanced capabilities to support the transformational change that effective use of business applications can provide.

- An 'excellent'[16] shared website service, working to common standards and best practices, whilst maintaining the individual branding and discrete information requirements of each Councils website.

- A common internal Intranet platform for each Council, again maintaining individual branding and discrete access to relevant information, bringing particular benefit to Carlisle by adopting an established service that is already in place at Allerdale.

- A shared Geographical Information and Gazetteer service, ultimately pooling and enhancing the capabilities and information held within both Councils to a common standard, including the effective provision of mapping services across both organisations.

- A converged telephony system, ultimately with increased resilience capabilities across both organisations.

- A common and shared cost effective network, server and storage infrastructure.

- A combined printing service across both Councils, providing local based printing capabilities, whilst pooling the capacity and resources available to deliver a wide and increased range of in-house printing services.

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[15]ITIL stands for 'Information Technology Infrastructure Library' which is part of the IT Service Management best practices developed by OGC. Explained in more detail later in the business case.

[16] 'Excellent' as defined and measured by the annual SOCITM 'Better Connected' review of all Local Government websites. It is anticipated that Allerdale will achieve the 'Excellent' status first, and that the shared development programme will enable Carlisle to make rapid progress towards the target.

- A platform to enable further future shared services between the organisations, with increased possibility of extending the model to additional Councils.

- A combined and single management and staffing structure for ICT to support the geographical needs of both organisations and partners.

5.2   Governance Arrangements

The following diagram gives a pictorial representation of the proposed governance arrangements which are explained in further detail below:
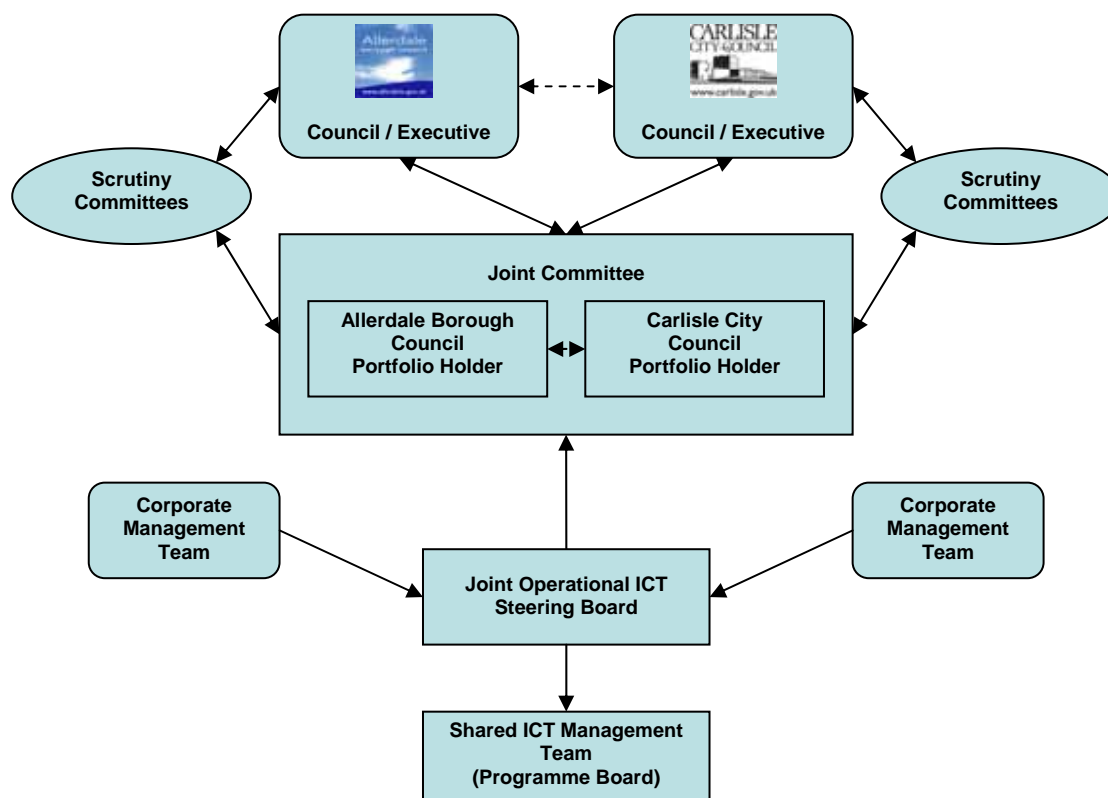
ICT Strategy

A single shared ICT strategy will be developed and refreshed on an annual basis.

This strategy will be developed as soon as practicable, ideally by November 2008, to be used in the preparation of the 09/10 budgets.

This strategy will be approved by both Councils and will form the basis for a capital funding programme as part of both Council's medium term financial plan (3-5 years).

Joint Committee

A joint member committee would be established which would include the appropriate portfolio from both authorities.

The exact powers of the committee would need to be determined, however it is anticipated that the Executive / Council at each

organisation would grant delegated powers to the joint committee to provide the strategic control of the Shared ICT Service.

Joint Operational ICT Steering Board

The operational direction of the Shared ICT service will be managed by a single overall Operational ICT steering board that will comprise membership of the relevant Directors and appropriate Heads of Service at both organisations, supported by appropriate Finance, HR and other resources as required.

This board will be responsible for directing the overall direction and focus of the shared ICT service, including risk allocation, financial matters and overall programme control.

Responsibility for chairing and leading the joint steering board will rotate between Directors, and hence Councils, on an annual basis.

To ensure flexibility and responsiveness for the service, The Head of ICT will be granted delegated powers, within agreed budgets and policies, by the board to act in the best interests of the service and its users.

Shared ICT Management Team

Day to day management and delivery of the shared ICT service will be undertaken by a single ICT Management team, led by the single Head of ICT and supported by the three functional managers within the Shared ICT service.

This above structure will ensure that a control framework is in place to ensure effective delivery of services to both Councils in a fair and equitable manner, maintaining corporate visibility and control at all levels.

Member Engagement

The Head of ICT will be responsible for meeting with, and reporting to, portfolio holders on a joint basis with a schedule to be agreed with both Councillors.

In addition, the Directors and/or Head of ICT will attend scrutiny committee's at both Councils as requirements demand.

Programme Management

The ICT Management team will be responsible for the delivery of the ongoing programme of ICT projects and developments that will be required by both organisations adhering to the OGC recognised *Managing Successful Programmes (MSP)* framework[17] as appropriate.

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[17] MSP. See http://www.ogc.gov.uk/guidance_managing_successful_projects.asp

Project Management

Projects will be delivered in adherence to the OGC recognised PRINCE2 Project Management methodology[18], adhering to any local organisation specific requirements where needed. Project boards will be created for all significant ICT related projects made up of both ICT and business representatives. The project lead for each project will be determined for that project; however the standard will be for business based project managers to lead all projects.

The Shared ICT administration functions will provide a level of programme / project office for ICT focused projects.

Service Level Management

Members of the Shared ICT Management team will also act as Service Level Managers working with appropriate business managers across both organisations to measure and maintain ongoing performance.

Customer Satisfaction surveys will be undertaken on a regular basis, with scheduling to be agreed, which will be used as a benchmark and ongoing measurement of performance[19].

Performance Management and Reporting

The tracking and reporting of projects, activities, risks and audit actions will be undertaken using the Covalent Performance Management system that is in use at both Councils.

Service & Group Planning

An annual ICT service plan will be produced to detail planned projects, activities and performance targets for the year ahead, to fall in line with annual planning timescales at each organisation.

The service plan will be approved by the joint committee.

Commercial and Partner Engagement

Responsibility for identifying, engaging and providing services to third parties will be the overall responsibility of the Head of ICT, with operational responsibility delegated to one of the three functional managers.

The overall approval for any 3rd party engagement will be referred to the joint operational board.

Engagement of further Local Authority, or other voluntary and public sector, partners to join the Shared ICT service will be considered by the joint operational board and be referred to the Corporate Management and the joint committee.

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[18] Projects In a Controlled Environment. See http://www.ogc.gov.uk/methods_prince_2.asp

[19] The potential for reusing and evolving the recent internal survey will be explored, together with consideration of the potential use of the annual national SOCITM satisfaction survey.

5.3   Shared Service Agreement

Subject to approval of the business case, a formal shared service agreement will be established between both Councils to include (but not limited to):

- Governance arrangements as detailed earlier within this business case.
- Dispute resolution procedure, including independent arbitration arrangements.
- Agreement to the creation and adherence to a joint ICT strategy for both Councils.
- Agreement to the principle of business application rationalisation across both Councils.
- The purpose and establishment of the Partnership.
- The duration, nature and governance of the Partnership.
- Services to be provided.
- Service provision details.
- The Joint Committee & Joint Operational Board.
- The Accountable/Lead Authority (if appropriate),
- Budget contributions, including capital funding obligation for the duration of the contract.
- Delegation of decision making,
- Review
- Indemnity,
- Access to information,
- Retention of records,
- Bribery and corruption,
- Conflict of interest,
- Contract extension process.
- Contract termination process.
- Variations to the Agreement
- Statutory compliance
- Procurement arrangements
- Performance levels and reporting (linking back to performance baseline that would be established prior to establishing the Shared ICT Service).

5.4   Human Resource Arrangements

The Human Resources work package has highlighted that there are three basic employment models that would potentially be appropriate for this shared service:

- Staff remain in-house with current employer.
- Staff are seconded to a joint venture company (JVC) or other Council.

- Staff transfer to a new employer (JVC, Council or external) under TUPE[20] regulations.

The secondment model has previously been used extensively in the Health Service but has encountered difficulties and should only be used as a short term expedient. If in the short term there were to be secondments it would be desirable for a full transfer to take place as soon as possible

In each of the three preferred options a full TUPE transfer, which protects employee's rights would be undertaken in line with both legal and organisational requirements. This would be completed within agreed timescales, following discussions with appropriate trade union representatives. Appropriate management of change and redeployment policies will be followed.

It is recommended that the final employment arrangements will be in place by the end of the first year.

The annual service plan developed for the Shared ICT Service will incorporate identification of joint service training & development requirements. Annual performance management reviews for all staff will be undertaken in line with governing Council policies.

5.5   Timescales – Implementation and Commitment

Subject to joint Council approval and appropriate legal arrangements, it is intended to go live with a new Shared ICT Service at the start of April 2009 at which point there will be a single Head of Shared ICT in post together with a joint ICT management team.

This go live would see the formation of an single interim ICT organisation structure which would then proceed to be refined and final organisation structure over the following twelve months.

The Head of ICT position will be appointed as soon as practicable after approval to proceed is given by both Councils. It should be noted that the employment method for this appointment will require careful consideration as it will precede the formal programme of work to migrate staffing in to the new structure.

In order to enable the level of investment and effort required to develop the Shared ICT Service, the commitment to the partnership by both Councils will be for an initial six year period, with break points to be agreed during implementation.

5.6   Procurement Implications

There are differing procurement implications depending on the model chosen. If option E is adopted then the service can commence without any procurement implications. Options C D and F would however

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[20] The Transfer of Undertakings (Protection of Employment) Regulations 2006. See: http://www.opsi.gov.uk/si/si2006/20060246.htm

require a full tendering exercise for the provision of Shared ICT Services following EU procurement regulations.

Once the service is operative all ICT supplies and services where possible, would be bought under approved Government frameworks to ensure compliance with both Council's procurement policies. The detailed process for procurement will be dependant on which model is used but in either D or E the relevant procurement regulations and policies of the "host" authority would apply.

It is anticipated that collaborative procurement can reduce external supplier costs by 5% as suppliers are happy to engage and discount with larger buyers as they are effectively getting more business for exactly the same amount of up front effort.

5.7   Trading – Partnerships and Commercial Engagements

During 2007/2008 the IT Services of both Council's generated £38,700 of additional income from external clients. The majority of this income was from "third sector" organisations. Carlisle currently allocates £20,000 of this annual revenue income in to their base budget and used the balance to fund an additional post on a twelve months rolling contract.

Both units also undertake work for external clients who are not charged, i.e. community centres, parish and town councils. These costs are absorbed into the internal recharges of each unit.

The future strategic direction for partnerships and commercial engagements will be as follows:

- The focus will be on provision of IT services to the "Third sector" (voluntary and community groups, social enterprises, charities, cooperatives and mutuals), enabling the sector to deliver public services, promote social enterprise and strengthen communities.
- All future work for this sector will be chargeable either direct to the organisation concerned or to a sponsoring Council department.
- The current standard contracts for maintenance and additional services utilised by Carlisle City Council will be adopted, with appropriate amendments, as a standard contract for the new shared service.
- To enable the new shared service to charge accurately for all services a business service catalogue/portfolio (customer view) and a technical service catalogue (internal view) will be implemented
- All staff resources used to undertake this work will be funded by the generated income and have their terms and conditions tied to the continued generation of external income. One post within the proposed structure will be initially funded in this manner.

Additional tactical opportunities exist over the coming 12 months in terms of web hosting & design, potential for provision of telephony services, and also provision of technical support services to the third sector and other Local Authorities have already been identified.

In terms of introducing further Local Authority partners, the Shared ICT Service would initially concentrate solely on Carlisle & Allerdale; however active consideration of expanding to further partners would follow the route described within the earlier Governance Arrangements section.

5.8   Communications

Communication regarding the introduction of, and migration to, the new Shared ICT Service will be crucial across a full range of stakeholders, including Members & users across both Councils, partners supported, and most crucially, all current ICT staff that would be affected by any changes.

Similar to the process undertaken during the investigation stage, a full communication programme would be developed with support from PR & Communications officers at both Councils that would include regular bulletins and feedback methods to keep all parties up to date and engaged.

Further, plans for marketing the new service, to internal users, external partners, and ultimately to potential new partners will be drawn up and implemented.

6.0   The Financial Case

6.1   Budgeting and Funding Strategy

The existing revenue budgets within both Authorities cover the ongoing operational costs of £3,247,100 as reflected in the table shown in paragraph 3.4 with the exception of:

- A current deficiency of approximately £70,000 in respect of software related expenditure at Carlisle for which budgets will need to be identified.

- £75,000 worth of Microsoft Enterprise Licences at Carlisle which are traditionally funded out of capital and this will continue to be the case.

- Annual Land & Property Gazetteer (LPG) staffing costs of £23,400 and £17,800 for Carlisle and Allerdale respectively. The two individuals involved are currently engaged on a temporary basis but are shown within current staffing numbers. These costs are currently funded out of capital by both Authorities subject to annual bids and would be incorporated as part of the baseline staffing establishment moving forward.

- An annual contribution towards Carlisle's corporate salary turnover and vacancy management target has not been included. The relevant sum involved could be up to £67,000 and budgets elsewhere in the Authority would need to be found if this area of service was excluded from that element of the Council's saving strategy.

- £12,600 of salary costs at Allerdale due to the IT Services departments current contribution to the Authority's overall vacancy management budget. In line with the similar position at Carlisle, this sum would need to be found elsewhere within the Authority.

The current baseline evaluation will be subject to review as part of the 2008 budget process. As the current model stands, based on 2008/09 prices, Carlisle and Allerdale would provide a cash limited annual contribution of £1,770,900 and £1,476,200 respectively to the North Cumbria Shared ICT Service. The contribution would be uplifted annually by a combination of 2 main factors, namely, the percentage increases in the NJC Local Government Pay Award in respect of salaries and the increase in the Consumer Price Index (C.P.I.) in respect of other costs. In addition there will be uplifts of an exceptional nature including any increments payable to existing staff who have not reached the top of their grade in 2008/09 or any financial impact relating to disparate superannuation contributions in each Authority. There may also be some base reductions relating to corporate savings targets. The first increase to the baseline figure as it stands would be on 01/04/09.

Any one off restructuring costs, including any redundancy and pension costs associated with staff restructuring, will fall to be met equally by each Authority on a 50/50 basis as will any savings.

The joint ICT Strategy will be determined by each Council and this strategy will set out any investment plans for the future. It is proposed that given the disparity of operation and client base at both Authorities, any capital expenditure on shared infrastructure requirements should be financed on a 60/40 basis by Carlisle and Allerdale respectively.

Similarly, the annual revenue costs would be financed on a 55/45 basis by Carlisle and Allerdale respectively, also in line with current expenditure investment.

It should be noted that if a formal partnership were formed, there may be an opportunity to attract outside funding. The potential for such funding is to be raised at the next North West Regional Improvement and Efficiency Partnership meeting to be held at Wigan on 24th July 2008.

6.2   Affordability

In assessing the financial case for the formation of a Shared ICT Service to provide a single combined strategic and operational unit for Carlisle and Allerdale, an evaluation was made of the cost of standing still and remaining as two separate ICT functions as against the cost of merging services. The key financial assumptions made were as follows:

- Each option was evaluated over a 6 year period.

- Base operational costs reflect 01/04/07 salary grading levels plus 2.5% in lieu of the outstanding and as of yet undecided April 2008 pay award.

- All capital and revenue figures shown reflect a current 2008/09 price base for reasons of consistency and comparability purposes.

- It is assumed that the overall effects of the job evaluation processes being undertaken at both Carlisle and Allerdale will be cost neutral in respect of ICT.

- Organisational restructuring savings are based on an overall reduction of staff from 38 to 32 equating to two full time equivalent staff with effect from 1st April 2009 (i.e. YEAR 1) and a further 4 full time equivalent staff with effect from 1st April 2010 (i.e. YEAR 2). The revised structure will be sufficient to support daily ICT operations, with officer presence at both Carlisle and Workington, but not additional projects.

- As actual staff affected by proposed restructuring are unknown at the present time, maximum and minimum savings figures have been calculated on a range of grading levels for the 6 posts and an average applied to the cost model.

- Termination charges cover the potential costs of redundancy and pension liabilities, where appropriate arising from premature retirement. Minimum and maximum figures have again been evaluated out of necessity given the substantially unknown factor as to which posts are affected and the totally unknown factor of which individual members of staff. Average figures have then been incorporated into the cost model

- Whilst there are potential savings from the rationalisation of applications, such savings have been excluded on the basis they would form part of the Business Case on the relevant application.

The following table identifies the estimated capital requirements for IT central infrastructure and ongoing operational costs in respect of both Authorities for the 6 year period 2009/10 to 2014/15 on the basis that Carlisle and Allerdale continue to run separate ICT functions. It should be noted that in respect of the Carlisle capital programme, funding of around £520,000 has currently been approved for the financial years 2009/10 and 2010/11.The remaining £1.3million would be the subject of average annual bids of around £325,000 over the 4 years 2011/12 to 2014/15. In relation to Allerdale, there is currently no capital funding set aside for a "do nothing" option. However, the Council would need to make significant capital investment in the region of £1,045,000 equating to approximately £174k per annum over the 6 year period.

The Table goes on to identify the estimated capital and revenue costs of implementing and running with shared service arrangements.

CONTINUE AS IS

	2009-10 £000'S	2010-11 £000'S	2011-12 £000'S	2012-13 £000'S	2013-14 £000'S	2014-15 £000'S	TOTAL
CAPITAL PROGRAMME							
CCC							
DESK TOP REPLACEMENT	**33**	**33**	33	33	33	33	198
Servers (all servers for all apps)	**36**	**61**	11	49	44	61	262
Server Software (Microsoft, Virtualisation etc)	**34**	**34**	34	38	38	38	215
Network (recabling and new network equipment at Boustead Grassing)	**99**	**17**	56	50	67	18	306
Infrastructure Support (General)	**70**	**36**	73	60	129	0	369
Laptop replacement programme	**24**	**34**	11	12	1	21	103
Telephony (upgrades and full replacement of telephony)	**2**	**8**	3	0	60	93	167
Photocopiers (Print Room)	**0**	**0**	72	16	0	0	88
GIS/LLPG	27	15	15	15	15	15	102
	326	**238**	**308**	**272**	**387**	**279**	**1,809**
ABC							
Network Links	0	0	0	0	0	0	0
Virtualised Servers (including server refresh)	75	50	25	20	20	20	210
Application Delivery (possible move to thin clients)	0	0	0	0	0	0	0
Server Software (O/S Licensing etc)	6	15	6	6	15	6	54
Storage Area Network (SAN)	5	0	145	0	0	30	180
Telephony	10	15	5	5	30	5	70
Business Continuity	45	25	10	0	15	0	95
Desktop refresh (treated as revenue at Allerdale)	25	25	25	25	25	25	150
Copier / Printer refresh (incl. moving to multifunction devices)	15	5	5	15	5	5	50

GIS	29	5	0	25	0	10	69
Security	22	0	0	5	0	30	57
Web services	20	10	10	20	10	10	80
Print Room (Xerox - Leased)	0	0	0	0	0	0	0
Network refresh	5	5	5	5	5	5	30
	257	**155**	**236**	**126**	**125**	**146**	**1,045**
Total Capital	**583**	**393**	**544**	**398**	**512**	**425**	**2,854**
REVENUE COSTS							
CCC	1,771	1,771	1,771	1,771	1,771	1,771	10,626
ABC	1,476	1,476	1,476	1,476	1,476	1,476	8,856
Total Revenue	**3,247**	**3,247**	**3,247**	**3,247**	**3,247**	**3,247**	**19,482**
TOTAL	**3,830**	**3,640**	**3,791**	**3,645**	**3,759**	**3,672**	**22,336**

SHARED SERVICE

	2009-10 £000'S	2010-11 £000'S	2011-12 £000'S	2012-13 £000'S	2013-14 £000'S	2014-15 £000'S	TOTAL
CAPITAL PROGRAMME							
CCC/ABC SHARED INFRASTRUCTURE							
In current Affordable Case							
Infrastructure	82	260	102	73	0	23	540
Applications	0	0	0	0	0	0	0
Telephony	25	25	15	0	0	0	65
Service Management	35	0	0	0	0	0	35
Web	0	0	10	0	5	5	20
Printing	0	0	0	0	0	0	0
GIS/LPG	54	16	5	5	5	5	90
	196	**301**	**132**	**78**	**10**	**33**	**750**
Additional							
Server refresh (after Shared Service implementations)					50	50	100
Desktop / Laptop replacement (including Councillors)	45	45	45	40	40	35	250
Network Equipment refresh (including cabling)	30	30	30	30	30	30	180
Telephony (full replacement)					60		60
Print Room			36				36
	75	**75**	**111**	**70**	**180**	**115**	**626**
REVENUE COSTS							
CCC & ABC BASELINE	3247	3247	3247	3247	3247	3247	19482
ADD REV COSTS FOR INF INV	78	85	68	14	13	13	271

TERMINATION COSTS	98	259					357
Contingency for increased costs from pay review	15	15	15	15	15	15	90
SALARY SAVINGS	-102	-248	-248	-248	-248	-248	-1342
TELEPHONY & PRINTING/WEB SAVINGS	-15	-19	-19	-19	-19	-19	-110
Energy Savings	0	-2	-3	-5	-5	-5	-20
GIS SAVINGS - say	18	19	-9	-9	-9	-10	0
	3339	3356	3051	2995	2994	2993	18728
TOTAL	3610	3732	3294	3143	3184	3141	20104
Difference	**-£220**	**£92**	**-£497**	**-£502**	**-£575**	**-£531**	**-£2,232**

The rationale is that the investment in shared infrastructure will, through joined up ICT working, provide the benefits of increased efficiency and reduced duplication of the management and administration of both tasks and personnel. Over a period of 12 months, this would facilitate a reduction in staffing numbers from 38 full time equivalents to 32. The impact of this in revenue terms would be ongoing savings resulting from re-structuring into one shared service but conversely, initial up-front expenditure in respect of staff termination costs. The overall financial impact is complicated by virtue of not knowing which members of staff would actually be affected by the re-organisation. Best case and worst scenarios were calculated based upon:

- The maximum potential ongoing structural savings cost combined with the maximum commensurate termination costs.

- The minimum potential ongoing structural savings cost combined with the minimum commensurate termination costs.

An average figure of the best and worst case scenario for both termination costs and ongoing salary savings has been utilised in the cost model. It should be noted that over the six-year period, structure savings based on the reduction of 6 FTE staff range from a minimum £1.148M to £1.540M. On a similar basis minimum termination costs could be as low as £23k or as high as £690k.

In summary terms, the above financial model, which has a 2008/09 price base, reflects that the estimated cost of running separate ICT functions at Carlisle and Allerdale for the 6 year period 2009/10 to 2014/15 amounts to £22.336m. This is represented by combined revenue expenditure of £19.482m and required capital outlay of £1.809m and £1.045m at Carlisle and Allerdale respectively. Conversely, the estimated cost of implementing and running a shared service between the two authorities over the same 6 year period is £20.104m representing a joint saving of £2.232m (i.e. £1.478m of capital funds and £0.754m in revenue). The relevant cost and savings figures year on year are as follows:

	2009/10 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	TOTAL
Capital	0	-312	-17	-301	-250	-322	-276	**-1,478**
Revenue - Recurring	0	-6	-150	-196	-252	-253	-254	**-1,111**
- Non Recurring	98	259	0	0	0	0	0	**357**
Revenue & Capital Cost	**98**	**-59**	**-167**	**-497**	**-502**	**-575**	**-530**	**-2,232**
Cumulative Position/Req	98	39	-128	-625	-1,127	-1,702	-2,232	

In terms of each Authority, the analysis below reflects year by year how the overall savings of £2,232million are shared between Allerdale (i.e. £872,000 in total) and Carlisle (i.e. £1,360,000):

	2009/10 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	TOTAL
Do Nothing								
Allerdale								
Capital		257	155	236	126	125	146	**1,045**
Revenue		1,476	1,476	1,476	1,476	1,476	1,476	**8,856**
Carlisle								
Capital		326	238	308	272	387	278	**1,809**
Revenue		1,771	1,771	1,771	1,771	1,771	1,771	**10,626**
Shared Service								
Allerdale								
Capital		108	150	97	59	76	60	**550**
Revenue		1,473	1,401	1,378	1,350	1,350	1,349	**8,301**
Termination	49	129						**178**
Carlisle								
Capital		163	226	146	89	114	88	**826**
Revenue		1,768	1,696	1,673	1,645	1,644	1,644	**10,070**
Termination	49	130						**179**
Costs (Savings)								
Allerdale								
Capital		-149	-5	-139	-67	-49	-86	**-495**
Revenue		-3	-75	-98	-126	-126	-127	**-555**
Termination	49	129						**178**
Carlisle								
Capital		-163	-12	-162	-183	-273	-190	**-983**
Revenue		-3	-75	-98	-126	-127	-127	**-556**
Termination	49	130						**179**

The actual investment of £750,000 to provide high speed links joining up the two Authorities and the necessary infrastructure to facilitate an evolving shared service produces overall savings in excess of £2.2m. This represents a rate of return of 197% ignoring any adjustment for discounting cash flow. When applying a 5% discounted cash flow calculation thereby incorporating the time value of money the rate of return is 168%.

The shared service would be cash positive in Year 2 with significant ongoing revenue savings from that point in time. Shared service arrangements would also provide significantly reduced capital funding requirements with Carlisle and Allerdale saving nearly £1m and £500k respectively over the 6 year period up to 2014/15.

6.3   <u>Financial Sensitivity Analysis</u>

Examining the financial analysis above, the financial case has a large margin for error as follows:

- If only 50% of the estimated staffing savings were made as a result of combining the service, overall revenue savings would still be apparent given a commensurate decrease in potential termination costs.

- The project would remain cash neutral from a capital perspective even if the estimated costs of implementing and then supporting a shared infrastructure were to more than double.

- The financial case excludes any new funding that the partnership may attract from external sources.

6.4   <u>Summary</u>

The financial case for the implementation of a shared ICT service between Allerdale and Carlisle is compelling given the high estimated level of savings in respect of capital funding requirements and ongoing revenue errors. Whilst the project would not be without risk given the high level of start up costs and the relative uncertainty of some key assumptions in respect of capital investment and the achievement of reduced staffing levels, the scale of savings identified within the report does mean that there is a large margin for error.

The most important factor is that the implementation of a shared ICT service would be a key cornerstone to support the future rationalisation of applications and back room operations and this is where further significant savings are likely to be achieved through collaborative working arrangements between the two Authorities.

Further investment in business application areas, in support of the future rationalisation/convergence strategy would form part of the business case for each business area being proposed as a shared service or being reviewed in general.

7.0   The Management Case

7.1   Overview of the Management Case

The management case describes how the new shared ICT service will be structured, the philosophies to which it will adhere and provides an overview of the HR, Financial and other support arrangements that will be implemented.

7.2   Organisational Philosophy

The high level products and services of the new structure have previously been detailed in section 5.1; however, the overarching philosophy of the new partnership would be to provide a converged service that would support the operational and strategic needs of both organisations in a flexible, resilient and cost effective manner.

The rationale behind the proposed organisational structure is to produce three operational functions that will be managed in a flexible and coherent manner to support the overall needs of the service and both Councils in the most cost effective manner.

Appropriate areas are explored in more detail in a supporting work package detail document; however the overarching principles are detailed below:

Operational Focus

The *Service Support* and *Applications Management* teams will be outward facing from the Shared ICT Service to the needs of both the internal Council users and external citizens as required.

The *Service Delivery* team will be predominantly inward facing in that it will predominantly be responsible for technical matters.

IT Support Services

The provision of support services, know as Incident Management, will be led by the *Service Support* team that will be expected to deal with a high proportion (circa 75%) of all incidents either at the first point of contact or without the need to pass on to *Applications Management* or *Service Delivery*. That said, it is recognised that support for some business applications may require escalation to either the *Applications Management* team or the user department based System Administrators.

These user based System Administrators will continue in their current roles, however focus will be given to better defining their roles and responsibilities together with clearly understood support arrangements behind, either with the Shared ICT Service or with the supplier.

Members and users will be able to raise calls with the IT Service Desk using a range of methods; however self service Intranet based raising of calls will be encouraged as the standard.

Best Practice

All teams will be operated in line with recognised best practice in terms of IT Service Management (ITIL disciplines) where appropriate; Programme (MSP) and Project Management Methodologies (PRINCE2); and prevailing standards for web and GIS development.

Service Provision

The organisation structure provides appropriate capacity and expertise to undertake the vast majority of duties as an *'in-house'* service, however the most cost effective solution for any particular future requirement will always be considered.

Appropriate technical and procedural training will be provided as required for all disciplines, again based on appropriate cost benefit analysis.

Project Management

All teams will undertake project activities as required, however these will predominantly be undertaken from within the *Applications Management* and *Service Delivery* teams.

Infrastructure and Business Continuity / Disaster Recovery

The strength in the current technical infrastructure at both Councils will be developed further to implement a converged network, server and storage environment that serves the needs of both organisations in a cost effective, flexible and resilient manner.

Recognised industry best practice techniques such as server virtualisation will be introduced which, together with advances in the storage virtualisation already in place, will allow the move to centralised delivery of business applications.

These advances in the technical infrastructure will allow the ICT needs of both Councils to be delivered in a more effective, and crucially, resilient manner to provide improved business continuity capabilities.

Business Applications

As detailed previously within this document, the convergence of business applications to single instances of the same application utilised by both Councils are crucial to realise the ultimate revenue and effort benefits that are possible with the integration of shared services.

The costs and details for the convergence of all business applications are outside the scope of this project and the proposed Shared ICT Service, however it is imperative that both organisations agree to a convergence strategy, either in line with capital replacement programmes, or in line with the development of any future shared services.

A business application convergence programme will be developed as part of the ICT Strategy which will require commitment from the joint board. This programme will be informed by the shared working strategies of both organisations.

Web Services

The external Internet and internal Intranet requirements of both Councils will be provided using a converged approach which will enable sharing of common standards and best practice whilst maintaining the individual identity and data security of each organisation.

This converged approach will also provide greater resilience against service outages, including improved capacity to support emergency situations.

GIS / LLPG

Both Councils already have great symmetry between Geographical Information System (GIS) strategies and are both moving towards future GIS service delivery that would support a joint service.

Both authorities however use different GIS platforms and suppliers to achieve this. A shared GIS strategy would be created to converge on one platform from a single supplier.

A shared approach to the provision of Local Land & Property Gazetteers (LLPG) would also be developed.

An overriding principle of GIS provision would be to provide systems using web based technologies.

Data Security

Security of all information and data will continue to be paramount as is the case now in both organisations currently, whilst segregation of all Council specific data will also fundamentally be considered as part of all future activities.

That said, where data sharing is both possible and beneficial to, and across, both organisations, this will be enabled as projects are delivered and systems are implemented.

Printing Services

Both Councils have similar print functions in place, with Allerdale having slightly higher capacity in terms of equipment available.

The new Shared ICT Service would include a merged print service, which would maintain both physical locations whilst exploiting the full potential of the equipment and resources available.

It is recognised that further opportunities to achieve economies of scale may be achievable which will warrant further investigation as the new service is established, particularly including the reduction of external printing spend.

The Green Agenda

Both Councils are committed to tackling global warming and have undertaken separate programmes to implement energy and waste saving initiatives.

The implementation of a Shared ICT Service, including the migration to a common infrastructure would ultimately reduce the carbon footprint of both organisations by moving to less server and storage infrastructure, this having less heating, lighting and cooling energy requirements.

Working Locations

The details of working locations for specific teams and staff would be developed following approval of the business case; however it is envisaged that there would be two principle locations at Workington and Carlisle in line with the planned two main data centres.

Additionally, greater use of new technologies to support home and flexible working will also actively be encouraged.

7.3   Proposed Organisational Structure

Ultimately, the Shared ICT Service would be structured as three teams as follows, with details of functional roles and responsibilities below:
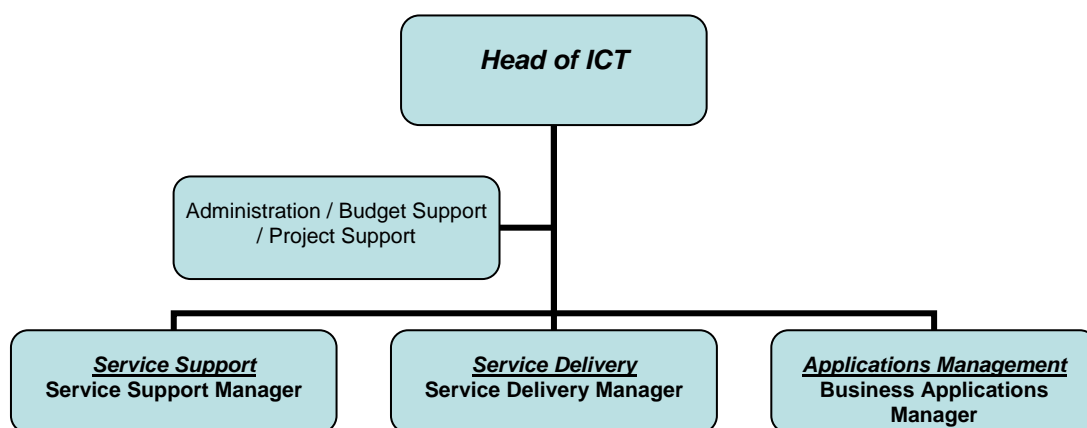
The **Head of ICT** would have overall strategic, operational and financial responsibility for the service and would be accountable to the joint operational board. The Head of ICT would be responsible for successfully implementing the new Shared ICT Service and would have responsibility for ongoing development of the shared service working arrangements.

The **Management Team** would comprise the Head of ICT, supported by the three team managers. Shared responsibilities include:

- Rotating deputy head of ICT on 6 month basis.
- Responsibility for Programme Management, supported by IT Administration resources.
- Shared financial responsibilities.
- Support for, and engagement with, Public and Private sector partnerships.
- Would take an active role in the consideration and development of any further back office shared services.
- It is intended that the three team managers would be 'hands on' roles.

Service Support would be the 'Business as Usual' operations team that would undertake the following functions:

- Service Desk – act as the first point of contact for all issues and requests.
- Incident Management – 1st and 2nd level support (incl. telephony).
- Member support.
- Print Services.
- Problem Management (authority across the structure).
- Change Management.
- Configuration Management.
- Service Catalogue.

Service Delivery would be responsible for the technical infrastructure and also for 3rd line support. Functions include:

- Technical Infrastructure (including telephony).
- 3rd level support.
- Project Management / Delivery.
- Service Level Management.
- Availability Management.
- Capacity Management.
- IT Service Continuity (Business Continuity / Disaster Recovery).
- Management of support for commercials and 3rd party engagement.
- Procurement Commissioning.

Applications Management would be responsible for all business applications, web services and geographical systems that would be in use across both organisations. Functions include:

- Business Applications.
- Internet (external).
- Intranet (internal)
- Geographical Information Systems (GIS).
- Local Land & Property Gazetteer (LLPG).
- Integration.
- 3rd level support.
- Project Management / Delivery.
- Modernisation / business change.
- Release Management.

The **IT Administration** function would undertake general team administrative duties and would also provide budget support and programme / project office support.

Procurement would be controlled and commissioned from within the Shared ICT Service; however actual procurement would be undertaken centrally by Corporate Procurement team(s).

7.4   Migration to the New Organisational Structure

Based on the assumption of going live with a Shared ICT Service at the beginning of April 2009, the migration to the new structure would be implemented in a phased approach, as separate and distinct project, as follows:

Phase 1 (April 2009)

Would see the migration to the three overall teams as detailed above. Staff numbers would decrease from the current 38 full time equivalents (including temporary posts) to 36 FTE positions. This would include the move to a single Head of ICT to be appointed as soon as possible after approval to proceed is given by both Councils (prior to April 09).

The structure would include a temporary position for a project manager to provide concentrated full time focus to assist with the early stages of merging the two functions, although this would be a shared responsibility across the management team.

The three teams would maintain the broad current structures in place, such as a distinction between support functions and print functions.

Phase 2 (April 2010)

Staff numbers would reduce by a further 4 to a final head count of 32 full time equivalents with the resources of the three teams being managed dynamically by the team managers, this giving greater flexibility whilst still maintaining expertise and technical disciplines as required.

The transition from current structures to the final organisational structure will follow the appropriate HR Management of Change policies in place.

7.5   Staffing Levels

The break down of current staffing levels was previously described in section 3.2.

The following table provides a summary of the proposed staffing levels, including transition levels from the old to the new structure:

Functional Area	Current Total	Year 1 Apr-09	Year 2 Apr-10
Head of Service	2.00	1	1
Team Management	2.00	Incl in teams	Incl in teams
Service Management *(1st / 2nd line support for infrastructure / desktop / telephony admin etc)*	8.00[21]	7	10
Print	4.25	4	
Infrastructure *(3rd line support / telephony technical support / Projects)*	5.40	8	7
Web / eCitizen	3.70	4	13
Application *(Support & projects)*	4.85	5	
GIS / Gazetteer	6.30[22]	5	
Administration / Budget Support / Project Office (Support)	1.50	1	1
Project Manager for shared service	0	1	0
	38.00	**36**	**32**
		-2	**-6**

Please note that the staffing allocations detailed within this table are an initial view and are subject to change as the Shared ICT Service is implemented, however it is anticipated that the overall total number of staff would not change.

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[21] Includes 1 FTE long term temporary position at Carlisle.
[22] Includes 2 long term temporary positions, with one being at each Council (equating to a total of 1.8 FTE's).

7.6   Salaries and Terms & Conditions

New job descriptions and person specifications will be developed for all roles following the agreement of the Business Case and prior to any recruitment.

The new structure and posts would adhere to the nationally agreed 'Green Book'[23] Local Government terms and conditions, subject to local variations.

It is intended that all posts will have undergone appropriate job evaluation reviews prior to recruitment.

Salaries will be set depending upon the outcomes of the job evaluation and pay review processes.

The exact approach to alignment of terms and conditions will be agreed subject to the approval of the business case, however it is anticipated that staff would broadly retain their current hours of service, leave entitlement etc, although it should be noted that some compromise of terms and conditions may be required to bring the terms and conditions of both Councils in to line.

The nature of an ICT service provision demands a flexible approach to working hours and conditions, therefore the potential for flexible working hours and home working in line with Government Work Life Balance Initiatives should be encouraged.

Additionally, any differing requirements across the two main geographical locations would also need to be taken in to account.

The approach to recruitment of new staff to posts would also need to be agreed depending upon the final service delivery model chosen.

Consideration will also be given to the establishment of an agreed policy for on-call and emergency call out arrangements, together with an agreed approach for staff travel between locations that will not be detrimental to staff working across multiple sites.

The business case has been developed based on current hours of service, however full consideration of support requirements will be given as the Shared ICT Service is developed.

7.7   Support Arrangements (Accountancy / HR etc)

Internal arrangements will be finalised following approval of the Business Case and will be subject to the final service delivery model adopted. The potential for a competitive process for the allocation of internal support services will be explored.

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[23] See http://www.lge.gov.uk/lge/core/page.do?pageId=119175

8.0   Appendices

8.1   Programme / Project Management Arrangements

If approved, the development of a shared ICT service will be conducted as a programme of work following the OGC Managing Successful Programmes (MSP) framework with all projects following the OGC PRINCE2 methodology.

The joint steering group will act as the overall sponsoring group with the Head of ICT undertaking the role of Programme Manager, potentially with dedicated assistance, with project boards set up as required.

8.2   Change Management

The change management requirements for the creation of the shared ICT service would be undertaken following ITIL best practise.

8.3   Risk Management

A shared approach to management of risks will be developed in line with current arrangements at both organisations.

8.4   Benefits Realisation

A post implementation review will be undertaken one year after the creation of a Shared ICT Service to consider progress made, together with ongoing financial reviews to establish whether the projected financial savings have been realised.

An annual user satisfaction survey will be undertaken which will be compared back to the recent survey as a benchmark. An alternative approach would be to use the nationally recognised SOCITM user satisfaction survey, again undertaking the survey before going live with the new service to act as a benchmark.

The steering group will be responsible for ongoing review of benefits realisation.

8.5   <u>Initial Risk Register</u>

A separate risk register has been developed and managed for the project initiation and business case development project. This initial risk register has been developed to consider potential risks that would be applicable to the implementation project of a Shared ICT Service if approval was given.

No	Description of risk	Likelihood 1-4 1 = low 4 = high	Impact 1-4 1 = low 4 = high	Gross risk (likelihood x impact)	Mitigating action
1.	Changes to political climate at both Councils.	1	4	4	• The potential for changes to the political climate would be beyond the control of the Shared ICT Service, therefore the focus would be on mitigating the impact of any changes through briefings to ensure a clear understanding that the proposed Shared ICT Service / structure will provide an efficient and effective service in support of all political directions / policies.
2.	Change in political direction following the establishment of Shared ICT Service.	1	1	1	• Joint Operational board to regularly monitor political direction and consider impact on the partnership.
3.	Falling out between partner organisations.	1	4	4	• Joint Operational board to regularly meet and manage ongoing issues. • Robust joint governance

					arrangements to be implemented. • Partnership contract to be established and agreed. • Dispute resolution process to be agreed.
4.	Business Case rejected by one or both Councils.	2	4	8	• Ensure Member and Chief Officer buy-in ahead of asking for commitment. Including Portfolio holders, Executives, appropriate Scrutiny committees and Corporate Management Teams. • Ensure project plans incorporate suitable and consistent communication programme.
5.	Benefits not realised.	2	2	4	• Benefits realisation plan to be developed and monitored by the Joint Operational board.
6.	Benefits distribution creates winners and losers at Council and/or Departmental level	2	2	4	• Governance model to be agreed which includes approach to capital and revenue investments together with agreed return on investment. • Joint operational steering board to be created to give equal control to both Councils.
7.	Reduction in quality of service during the transition to a new Shared ICT Service.	3	2	6	• Manage service level expectations with all key stakeholders prior to and during

					- project implementation. - Utilise satisfaction survey benchmarking. - Management responsibility to regularly review performance issues and address deficiencies.
8.	Delays in benefit realisation due to contract commitments.	2	2	4	- Contract commitments considered during business case development phase. - Programme of contract convergence to be agreed following business case approval.
9.	Project unable to move forward as quickly as planned due to HR / Staffing / Union / Legal issues.	2	3	6	- Ensure full engagement of HR, Legal and Union representatives at both organisations. - Agree potential lead support services for the new organisation.
10.	Failure to drive through programme of business application rationalisation at both Councils.	4	4	16	- Business Case cost benefit analysis developed on basis of application rationalisation being out of scope therefore not crucial for success of Shared ICT Service. - However, fundamental to achieve overall efficiencies possible, therefore Member & Chief Officer

					commitment to be secured for application convergence programme, either in line with capital replacement programmes or in line with future shared service initiatives.
11.	IT staff objections to new Shared ICT Service.	2	1	2	• Ensure officer buy-in ahead of asking for commitment. • Key IT staff involved in the initial investigation of individual work packages. • Communication plan including regular staff briefings.
12.	Resource shortage due to other project and targets.	3	3	9	• Realisation of resource efficiency savings early. • Priority and phasing of project to be controlled carefully. • Internal awareness to be raised by communications. • Other funding streams to be pursued. • Additional (permanent and temporary) ICT resource requirements to be considered as part of all future shared service projects.
13.	High cost or unavailability of required network links.	2	3	6	• Network capabilities and costs considered as part of business case development.

					• Use of 'thin client' and web based technologies.
14.	Critical technical issues	1	3	3	• Technical review is part of business case development. • External support to be engaged as required. • Technology plans developed as evolution of best practices already in place and using established best practice models. • Ensure supplier support.
15.	Non critical technical problems	3	1	3	• Will need to be addressed on an 'ad-hoc' basis as and when issues arise. • IT functions to develop forward plans to identify issues early.
16.	Loss of staff and/or key skills.	1	3	3	• HR plans developed fully prior to implementation. • Communication plan and full engagement with affected staff. • Increased opportunities for development and advancement through larger team. • Programme of technical and procedural training to be developed. • Succession planning to be developed.
17.	Loss of control, or perceived loss of	1	3	3	• Robust governance

	control, of direction of the Shared ICT Service by one or both organisations.				arrangements to be agreed, including the establishment of a Joint Operational Steering Board, with chair rotating between organisations. • Regular service reviews (as part of Service Level Management process) with key stakeholders across both organisations.
18.	Loss of focus of ICT function or inward focus of ICT function.	1	3	3	• Shared ICT Service measured against key objectives and milestones to be agreed with both organisations. • Use of regular (possibly SOCITM) user satisfaction survey.
19.	ICT Management structures and governance arrangements not effective.	1	3	3	• Regular review by joint operational steering board.
20.	Combined annual budgets rise rather than fall as per projections.	2	1	2	• Regular budget monitoring against agreed targets.

8.6   Project Team

The following table details those officers principally involved in the development of this business case:

Name	Authority	Role
Angela Brown	Carlisle City Council	Project Sponsor
Nick Fardon	Allerdale Borough Council	Project Sponsor
Stephen Kirkpatrick	Allerdale Borough Council	Project Board / Team
John Nutley	Carlisle City Council	Project Board / Team
Hazel Cushin	Allerdale Borough Council	Project Manager
Su Money	Allerdale Borough Council	Project Support
Steve Brailey	Allerdale Borough Council	Project Team
Steve Evans	Allerdale Borough Council	Project Team
Mark Lambert	Carlisle City Council	Project Team
Ian Little	Carlisle City Council	Project Team
Tracey Nicholson	Allerdale Borough Council	Project Team
Jo Osborne	Carlisle City Council	Project Team
Anthony Rigler	Allerdale Borough Council	Project Team
Michael Scott	Carlisle City Council	Project Team
Ian Smith	Carlisle City Council	Project Team
Rob Stapleton	Carlisle City Council	Project Team
Mike Thompson	Carlisle City Council	Project Team
Mark Whitworth	Carlisle City Council	Project Team
Cyril Wright	Allerdale Borough Council	Project Team

ALLERDALE BOROUGH COUNCIL & CARLISLE CITY COUNCIL SHARED ICT BUSINESS CASE - APERIA BUSINESS CASE VERIFICATION STUDY

ICT SS Verification | Peter Pawson

Executive Summary

Councils nationwide are now under increasing pressure to perform and save money. Both Carlisle and Allerdale are taking positive steps to anticipate further political and financial pressure by working in partnership to deliver "shared services". The ambition is to deliver a shared ICT which can then be the backbone for other services to run across.

This report provides an external validation on the progress of the project. The report provides an assessment of the business case to date, targets some areas to strengthen the financial proposition and details the recommended next steps.

The business case has a number of clear strengths;

- Energised & enthusiastic project team and supporting staff

- Honest approach

- Delivering to tight timescales

There are also a number of areas to further develop the business case and make it more appealing to its audience.   In summary there are 5 key areas to address in order to build the business case up;

- Executive Summary – The executive summary does not currently reflect the commitment and strength of the project. In addition, we recommend that a separate executive summary is written for each council – detailing much of the same information, but also referring to the slightly different challenges faced by each council.

- Additional Benefit – The financial proposition is not currently an attractive investment. Additional benefits and further challenge of the required investment is necessary. We believe that the project will "stack up" financially – This report details a number of areas where additional benefits can be realised. Furthermore, we believe that these benefits can be realised without all of the proposed investment.

- Finance & Figures – The finances need to be displayed more clearly and state what each table is referring to. The councils should verify that they have included the necessary "contingencies" and costs to deliver the project and to continue to deliver "business as usual". Indeed a statement of confidence that performance levels can be maintained through the project would be beneficial.

- Tone – The document seems slightly "confused" about its purpose. It refers variably to a "feasibility" study, a "business case" and "exploring the viability of shared service. The document needs to be more authoritative and more clearly set out the decision required by members. This should refer both to financial benefits, but also detail the wider service

improvement benefits and the extent to which this will enable the councils to better meet other priorities and objectives.

- **Base case** – the document does not adequately explore and detail the option of remaining as separate ICT functions. This is critical – both to demonstrate the true added benefit of the shared service, but also to provide a clear baseline for the future.

Should the councils elect to move forward to deliver a shared service, then the "real hard work" will start. The pressure of the project will increase - not least to ensure that "business as usual" can be delivered through the ensuing changes. Risk management, project management, change management and management of communications will continue to be essential.

From an external perspective, it would seem that there are positive factors that can support a successful shared service:

- **Commitment and dedication of the entire project** – from members through to senior offices and critically including some of the affected staff

- It is believed that there is a good **"fit"** between the authorities in terms of culture and strategic fit

- The strengths and weaknesses of the two ICT services seem to be mutually beneficial – at a very high level, the Carlisle service is "lower cost, where the Allerdale service seems to be perceived as more favourable and better performing by its internal customers.

The recommended next steps at the end of this report will provide a more compelling business investment for both councils.

Contents

Introduction

Shared Services remains an ambition for many local authorities nationwide. CSR07 and the VFM agenda now actively position local authorities to progress their shared service agendas in order to achieve savings whilst improving service; in layman's terms, doing more for less.

Aperia Government services are experts in this field. We have worked on over 20 successful Shared Service orientated projects in the North West and also with Communities and Local Government in the last 2 years. It is the shared view of ourselves and the two authorities that Shared Services should only be undertaken when there is a real benefit to both customers and the council. To ensure this benefit materialises Allerdale & Carlisle are going to the appropriate lengths in examining their potential to work together as a shared ICT function.

To improve the strength and standing of the business case we have laid out the remainder of the report as follows;

- Strength of the Case – We make no apologies for concentrating on where we can "add value" but have offered some high level comments on the strength of the document to date

- Building the Case – Identified potential areas of improvement and additional financial further benefits.

- Gaining Approval – The building blocks that need to be put in place to pass this successfully through members

- IPF Financial Analysis and Opportunities – A summary of the key areas to address and develop from the perspective of CIPFA

- Challenge Questions – There remain a number of extremely challenging hurdles, which we have outlined at the end of the report. Good project management demands recognising and resolving these issues up front – to avoid wasted effort at a later stage. Facing so
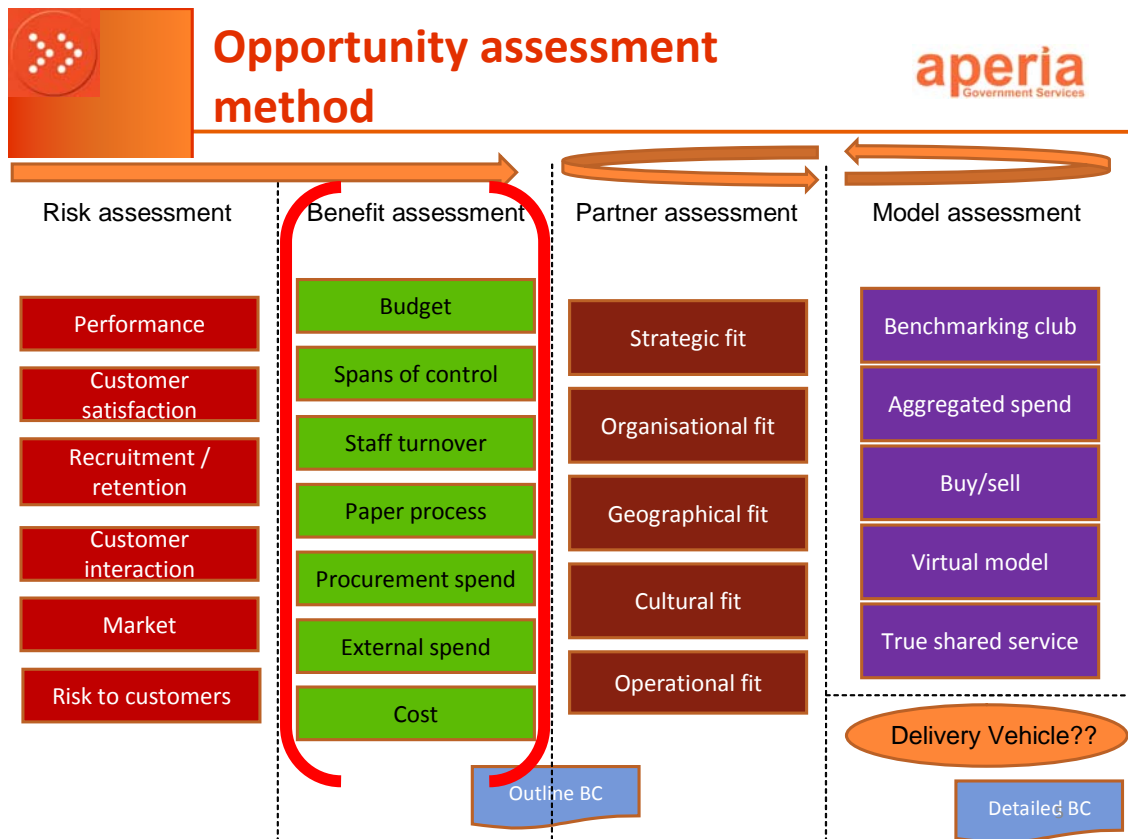
- Next Steps

Strengths of the Case

The business case has an immediate appeal to the engaged and knowledgeable reader of IT or Shared Services, it clearly laid out how the project was initiated, the journey it has come along and where it wants to go. The following bullet points summarise the real strengths of the work to date:

- A large quantity of considered effort has gone into the project and the business case and supporting work package documentation (this was further reinforced in the engagement workshop). This demonstrates strong project management and good leadership.

- There is a tangible enthusiasm for the project from the staff affected. In our experience, getting operational level support from those who will implement and be affected by a Shared Service is one of the hardest parts of the implementation and Allerdale & Carlisle are already straddling this gap, which we will believe will bear fruits further the implementation (where many authorities run into trouble).

- Dedicated quality project management has overseen the project. This is reflected in the delivery of the project and the business cases to tight timescales.

- The business case also comes across as honest and open handed, it deals evenly with both authorities' strengths and weaknesses as well as their similarities and disparities, aspects of this need to be retained in the appropriate areas where they add value.

- The use of the "five cases" will add credibility in the eyes of members.

Building the Case

This section deals with additional areas to build and strengthen the business case. We applied the Opportunity Assessment Matrix (that has been developed with the Cumbrian authorities as part of the Shared Service Strategy) to a sub group of senior stakeholders to identify additional areas of benefit. By assessing, investigating and integrating the areas in this section into the business case, the strength and number of attainable benefits will be increased. The diagram below demonstrates the Opportunity Assessment Matrix;

Opportunity assessment method

Risk assessment
- Performance
- Customer satisfaction
- Recruitment / retention
- Customer interaction
- Market
- Risk to customers

Benefit assessment
- Budget
- Spans of control
- Staff turnover
- Paper process
- Procurement spend
- External spend
- Cost

Outline BC

Partner assessment
- Strategic fit
- Organisational fit
- Geographical fit
- Cultural fit
- Operational fit

Model assessment
- Benchmarking club
- Aggregated spend
- Buy/sell
- Virtual model
- True shared service

Delivery Vehicle??

Detailed BC

The area bracketed in red is the section we used to identify additional areas of benefit with the group.

Budget - Higher budget areas yield bigger savings and improvements

> The budget for this area is not as large as some other services across the councils. However, the reliance on ICT of the other services and the potential to run future applications across this shared service increases the expected value.

> This could increase the size of the savings that can be realised. We would recommend that the business case includes the financial benefits that could be achieved in terms of having a single team to manage a single shared application (rather than having two teams managing two separate but identical applications). It might be prudent to include these calculations for three or four of the larger and more easily rationalised applications across the councils.

- It is believed that the project might include additional "revenue". The future joined-business may be able to realise additional revenue from other local businesses and charitable organisations.

Spans of Control - Reaching the same (or better) business outcome with less (or less expensive) people

- The level of efficiencies that could be achieved in terms of staff savings seems robust – it doesn't seem over ambitious and it is not recommended that any additional resourcing benefits are included. A single larger business in the future may make the single future shared service more capable to deal with future change and this could be included as a non-financial benefit.

Staff Turnover – Sharing a service can provide a better career path and job variety, hence reducing recruitment costs and tacit knowledge loss

- Both Allerdale and Carlisle have 0% turnover rates in their ICT departments and due to the small nature of the authorities their will still be job variety (as opposed to making roles overly monotonous). We do believe there is a softer benefit available here in retaining tacit knowledge by having a larger workforce and (as above) making the future business more able to deal with new challenges.

Paper Process – Releasing efficiencies by reducing back office overheads

- Print – Although Print Services was included, there was insufficient deep investigation into the efficiencies which could be realised. When pressed in the workshop it emerged that both councils somewhat under use these areas, and have a culture of line managers leaning on external sources as they feel that the design and print aspects are not up to required standard. By addressing this fact and the attitudes, spend and processes in the organisation it is possible to realise efficiencies and release resource;

    o By removing the reliance on external print sources it is possible to reduce external spend

    o By reducing the number of machines in operation from 4 down to 3 or even 2 it is possible to save on future capital expenditure

    o If the function is not being used to its capacity or not appropriately used, then there is an argument for investigating removing the function altogether and weighing that against the increased cost of localised printing. This would have to be promoted by an organisational shift to a more paper free environment (also contains some softer green agenda benefits).

Procurement Spend – Using the power of increased bulk purchasing to drive down suppliers prices

The report doesn't account for any future procurement efficiencies through delivering the shared service. These benefits will only be realised when additional purchases are made and where contracts allow, but below are the additional benefits that might be included.

- In our experience collaborative procurement can reduce external supplier cost by 5%. Suppliers are happy to engage and discount with larger buyers as they are effectively getting a larger piece of business for exactly the same amount of upfront effort. Effectively this works both ways, going forward as new systems are procured and rationalised the authorities only have to go through the process once as opposed to twice. Areas which

could benefit from collaborative procurement and should be investigated to enhance the business case include;

- o All systems - Back office applications (Service applications), Hardware (servers, infrastructure, end user devices, printers, peripherals) and Software (Non pay per user licences)

- o Other materials and other services

- o Maintenance contracts.

In addition, the project may further challenge whether any further rationalisation of the current infrastructure can be realised – and if so what might be the benefit (reduced maintenance charges or actually selling any surplus equipment).

External Spend – The opportunity to remove more expensive spend on services with external suppliers

- There was little external spend on services, with only a few contractors in place. More investigation needs to be done into the cost of removing these contractors, as all have been in place longer than a year they will be entitled by government law to claim benefits (sickness, pension back payments, reclaimed holiday pay, redundancy). However, both authorities are acting as clients for external services (ALMOs) and generating revenue, this needs to be clearly factored in and the opportunity to grow this business with likewise organisations

Green Agenda - (A new addition to the benefits section of the matrix) although, non cashable becoming a greener council is now a high priority

- It is possible to reduce the carbon footprint of the organisation and reliance on waste materials by working together;

  - o Server carbon footprint reduced

  - o Printer carbon footprint reduced

  - o Move towards paper free environment reducing need for recycling and purchasing

  Allerdale & Carlisle may need to weigh these benefits against the need for additional commuting by staff.

Gaining Approval

As discussed earlier council members are the final hurdle and the primary focus. From our engagement with both councils, it is clear that the early signs of the members' intentions are positive. However, the document needs to more clearly reference the decision to be made and provide a clearer statement of the "base case". In addition some of the language seems slightly

defensive.   We believe that the document would benefit from the changes below (examples are referenced in the marked-up copy);

Develop a strong executive summary - This is the priority action. Although the document will be scrutinised, nothing will be more closely analysed than the executive summary. This needs to tell a simple story;

- The risks to council services of standing still – this base case must better demonstrate the risks of standing still and relate this more clearly to the business needs and challenges of the organisations. This base case is critical for two reasons – firstly to better demonstrate the improvements (both service and financially) that will be delivered through the shared service. Secondly, if successful in moving forward, then at some stage in the future, the project will face the challenge that delivering a shared service was the wrong decision – an internal customer may suffer a problem with their application and could easily blame it upon "the shared service". To mitigate this, it is critical to demonstrate the risks that might exist in retaining the status quo.

- The options and brief (clear financial) explanations of why they were discounted

- The preferred option, the benefits (financial, to customers, to clients) and the risks

- Next steps should be clear with no ambiguity around ownership or timescales.

Convey enthusiasm – The project team showed enthusiasm and willing for the project yet this does not come across in the main document. Evidence of this can be found in the workpackage documentation but lacks in the final piece.

Present single council cases – Members in each council are quite rightly only interested in whether the project is the right decision for themselves.   We would therefore present a separate Executive Summary for each council – setting out the slightly different positions for that specific council.

Be more outcome and benefits focused – The document (potentially limited to the executive summary) may benefit from reference to the extent to which a shared service will enable the councils to deliver on their broader challenges and objectives. The document rightly concentrates on the technical and financial decisions, but greater reference is required to the context. There may be a strategic political driver to push this forward, but it is important to ensure that the benefits are identified to front line services and the citizen as opposed to how it stands which is more technical.

For example, one of the first sections read lists the scope as… Website, GIS, etc. whereas it should be turned on its head and list the citizen and strategic based outcomes (deeper customer insight, more cost effective services) which will be enabled by the functions of ICT and deliver benefits (extended hours, flexible hours, improved business continuity, stronger resilience, improved incident management through ITIL).

Expectation management – Although much of the work with members is perceived to be done it is important to manage their expectations and highlight likely risks and issues. Although the situation

for both councils would be worse if they stood still, by taking positive action and changing the situation there will a perception of cause and effect from stakeholders.

Flesh out the do-nothing option – Standing still is always an option in any business case. However, standing still also carries implications both negative and positive. In this case it carries existing costs that the audience should be made aware of;

- Existing licence contracts

- Hardware due to be renewed

- Existing maintenance

- Rising wage costs

- CSR07 shrinking budgets

- Loss of tacit knowledge through aging workforce

In short, the 'do-nothing' option should express that the authority will have to run very fast to stay in the same place and the two services trying to stand separately will struggle to survive.

Honesty only based on evidence – The even handed approach to both councils is built upon the tangible trust that exists between the officers. This could be more risky in the member arena. For example; mentions of one service out-performing the other is discussed as a possibility but without any performance data to back this up. This could invite members to focus on their own strength and fear the risk of a drop in the future performance.

Be clear on figures – The data presented around all figures can benefit from being clearer in message and sharper in presentation;

- Financial Figures – Clearly state what each table is demonstrating and relate this to the service. For example; We can achieve this saving whilst maintaining 99% up-time and hitting the agreed SLA's

- Customer Survey Figures – Although under close scrutiny it appears that these on the whole are positive, it is not clear what the areas to build on are and the areas to address are in each council. Group the results by council then by positive and negative and clearly state what the action is for each group

- Assessment matrix – Aperia are familiar with similar assessment matrices and we were able to follow the information. However, it is perhaps less intuitive to members and it may be prudent to include the overall assessment and place the detailed figures in the appendices.

Stay focused – Additional areas of value are referenced but not fully developed or assigned a value (in either a cost or revenue stream). For example; BPR & consultancy services are flagged but never really explored. Keep to the areas which you are confident in delivering and baselining and the audience will stay with you.

Identify risks that your audience relate to – Many of the risks in the document were project risks, which are relevant to the project but not to the audience. The risks that will act as levers on the audience are the risks to areas they care about; customers, staff, the organisations brand and reputation and success in delivering against broader challenges and objectives. Fleshing out the base case may address this. However, going forward the project should look to mitigate the IMPACTS of the risks, rather than managing the risks themselves.

IPF Financial Analysis

IPF praised the granular level of detail of the financial side contained within the business case, they felt that the investigation into the shared IT costs was thorough in its approach but could not validate the technical worth of the materials discussed. They felt confident that the depth of analysis would underpin technically correct calculations (for example they could not verify that the redundancy payments were correct, nor that the investments were truly required to deliver the benefits).

IPF felt the major areas to address within the business case were the levels of investment, the Return On Investment (ROI) and net present value;

- Levels of Investment – The cost for upfront investment seemed very large and may benefit from further challenge. The approach suggested by Aperia is to list the benefits and for each proposed investment to question which benefits would NOT be realised if that part of the expenditure was NOT delivered.

- Return on Investment – The public to public to public agreement returns a ROI only after 6 years, this combined with the sometimes difficult stakeholder environment and the risks of merging two organisations makes this an unattractive proposed investment. Many outsourced Shared Service initiatives achieve an ROI in less time than this. Exploring a private outsourcing offer and highlighting where it would differ and fall short of the benefits provided by the current choice of model, will add strength to the more risk tolerant approach of Public & Public

- Net Present Value – It is important to weigh the future benefits in cost in light of inflation. A net present value calculation will be expected in a business case

Although there has been considerable work put into the financial business case IPF did not feel the figures were clear enough or strong enough to persuade a senior stakeholder to commit as is. More

work will need to be done around identifying additional benefits to increase the financial appetite, then presenting the information in a clear concise way shows;

- There is a strong return on investment

- It can be achieved within a reasonable timescale

- It will improve services

- And there is a clear financial choice between doing this and not sharing a service and the implications of each choice.

Challenge Questions

There are still some difficult challenges ahead; not only in the development of the business case but in the implementation ahead. Below is a set of questions which the project team will benefit from answering now and incorporating the answers into the business case if they add weight;

- Are the timescales still appropriate?

- Who will head up the service? Which authority will deliver the resulting service? Do the members need a "quid pro quo" to enable this decision to be taken? The Job evaluation processes are nearing completion - these decisions may affect the financial viability of the project.

- How will risk, benefit and exit costs be split between the organisation? The project has delivered a baseline that ensures that the scope for both organisations is the same and it is assumed that most costs and benefits will be split evenly. The organisations must recognise the risk that exact comparisons (both performance an cost) have not been delivered and hence there is a risk that one authority will not benefit as much as the other.

- What plans are in place to manage the project and business as usual going forward? Are they robust enough and are the costs recognised?

- Will you examine performance before the agreement and will this impact the risk/reward ration?

Next Steps

Below we have summarised the key points from this verification report into a short action plan for improving the business case in order of importance;

1. Rewrite the executive summary to be clear and member focused – presenting as a separate executive summary for each council;

2. Challenge the required investment – focussing on the required investment to realise the resulting staff savings;

3. Include the additional benefits and review and sign off the resulting Net Present Value calculation

4. Double check the position of members and carry out any necessary final discussions to prepare the way for the report.

5. Sharpen the presentation of the financial information, making it a clear choice between;

   - Standing Still – flesh out the base case and demonstrate the belief that it is a costly one way street with risk of impacts upon wider council objectives

   - Collaboration – Cost effective and presenting significant opportunities and benefits

6. Strengthen the non-financial, performance benefits of the proposal and relate this to meeting broader council objectives.

7. Review the proposals and timescales for the next stage of the project and ensure that all necessary actions and plans can be delivered – for example, it is important to be clear on the process of making the key decisions (such as which council will deliver the service) and ensure that any dependencies (such as equal pay) are recognised.

Appendix 1 – Workshop Write-up - 4ᵗʰ July

Attendees

- Hazel Cushin - Project Manager - Allerdale

- Philippa Hardy - Head of Personnel - Allerdale

- Stephen Kirkpatrick - IT Services Manager - Allerdale

- Tracey Nicholson - IT Support Manager – Allerdale

- John Nutley - ICT Manager - Carlisle

- Michael Scott - IT Infrastructure and Network Manager - Carlisle

- Ian Smith - IT Project Co-ordinator - Carlisle

- Mark Whitworth - Applications and Information Manager – Carlisle

- Mike Thompson – Audit – Carlisle

Current Activities – How do the group see their role as ICT?

- Managing software

- Server admin

- Maintaining

  - Capacity

  - Security

  - Support

  - Data

  - Continuity

- Budget Management

- Procurement

  - Hard ware

  - Software

- Enable front line services

- Web maintenance

- BPR

- Programme / Project Management

- Support

- R&D

- Business / Data Analysis

Changes & Challenges – What are the challenges now and round the corner to for ICT?

- Interoperability

- To provide information

- Recruitment & retention

- High work load / increasing workload

- CAA being joined up – getting the picture clear

- Increased expectation - demonstrating its right for the customer

- Lack of commercial understanding

- Demonstrating value

- Cost Budget

Future Outcomes – Where do the group want ICT to be in a realistic future vision?

- Enabling change& leading

- Facilitating SS

- More efficient service

- Self service (web)

- Business services

- Ext partnership – 3rd sect

- Business continuity

- More resilient services

- Leading & advising tech change

- Pay as you go. Raise awareness – manage expectations

- Hidden giant

- Seamless interaction

- Sharing Info & Management

- Rationalisation of systems

- Benefit realisation

- Generating revenue

- Strengthen system admin roles

Current Assets – What do the group believe ICT own?

- Hardware

- Software

- Connectivity

- Info

Generic Issues that came out as a consequence of the exercises.

- Budget pinch

- Uncoordinated change

- Leadership

Generic Risks that came out as a consequence of the exercises.

- Organisational wide change - not just ICT

- Lack of commitment

    o   Financial

    o   Change

- Leadership