

Committee	Dated:
Digital Services Committee	17 th January 2024
Subject: Revenue Budgets – Approved Revised Budget 2023/24 and Original Estimates 2024/25	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	1, 2, 3, 4, 12
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Dawit Araya, Chamberlain’s Department	

Summary

This updated report presents the annual submission of the revenue budgets overseen by your committee. It is asking Members to note the 2023/24 approved revised revenue budget and the approve the draft revenue budget for 2024/25 for subsequent submission to the Finance Committee.

In response to Members’ requests, it now includes a more detailed analysis of supplies and services budgets and further information on your committee’s capital programme including details of the 2024/25 capital bids, which will be considered as part of the City’s overall 2024/25 budget setting process.

The approved revised budget for 2023/24 totals £9.093m a net increase of £568,000 compared to the original budget of £8.525m. The net increase is for the July 2023 pay award and the approval of a number of IT projects under central risk, funded either from budget carried forward from 2022/23 or the Transformation Fund. There is also a significant increase in budgeted staffing and other costs matched by an income budget to reflect the recovery of IT cost from the City of London Police in respect of IT services now being delivered ‘in house’ rather than billed directly to the Police by Agilisys. A similar adjustment has been reflected in the 2024/25 draft revenue budget.

The 2024/25 draft budget has been compiled in accordance with the overall budget policy guidelines agreed by Resource Allocation sub-committee. It totals net expenditure of £8,109m a net reduction of £416,000 compared with the original budget for 2023/24. This saving is principally as a result of the ending of the Agilisys contract and bringing the service ‘in house’, including those savings

made on the Police IT service. These savings are being used to cover the cost of the transition project as previously agreed. The saving has in part been offset by the additional cost of the July 2023 pay award and the 3% inflation allowance for 2024/25.

Recommendations

The Committee is requested to:-

- i) note the approved revised revenue budget for 2023/24.
- ii) approve the proposed 2024/25 draft revenue budget to ensure that it reflects the Committee's objectives and, approve the budget for onward submission to the Finance Committee;
- iii) note the committee's capital budgets and the IT bids for 2024/25, set out in Appendix 2; and
- iv) agree that any minor amendments for 2023/24 and 2024/25 budgets arising during the corporate budget setting period be delegated to the Chamberlain.

Main Report Background

1. The report sets out the latest budget for 2023/24 and the draft revenue budget for 2024/25 for your committee. This is under the Chamberlain, and is analysed between:
 - i) **Local Risk Budgets** – these are budgets deemed to be largely within the Chief Officer's control.
 - ii) **Central Risk Budgets** – These are costs whilst under the supervision of the chief officer are not under his/her direct control
 - iii) **Support Services** – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
2. For the tables presented in this report, figures in brackets denote expenditure, increases in expenditure, or shortfalls in income. Increases in income, and reductions in expenditure are shown as positive balances.
3. The approved revised 2023/24 and draft 2024/25 budget position for the Digital Services Committee is summarised in Table 1 below. Net cost of the service is recovered from the users of the service.

Table 1 – Digital Services Committee - Revenue Budgets 2023/24 & 2024/25			
Chamberlain Summary Revenue Budgets All Risks	Original Budget 2023/24 £'000	Approved Revised Budget 2023/24 £'000	Draft Estimate 2024/25 £'000
Local Risk	(8,077)	(8,290)	(7,720)
Central Risk	0	(355)	0
Support Services	(448)	(448)	(389)
Net Expenditure (all risks)	(8,525)	(9,093)	(8,109)
Recovery of cost from services	8,525	9,093	8,109
Net	-	-	-

Latest Revenue Budget for 2023/24

4. Overall, there is a net increase in expenditure between the Committee's original and latest budget for 2023/24 of £568,000. Table 2 summarises the position.

Table 2 – Latest Revenue Budgets 2023/24			
Chamberlain Summary Revenue Budgets All Risks	Original Budget 2023/24 £'000	Approved Revised Budget 2023/24 £'000	Movement Better/ (Worse) £'000
Local Risk			
<i>Expenditure</i>			
Employee Costs	(3,952)	(5,659)	(1,707)
Supplies and Services	(4,926)	(9,333)	(4,407)
<i>Sub Total</i>	(8,878)	(14,992)	(6,114)
<i>Income</i>			
Fees and Charges	213	6,161	5,948
Recharge staff to capital projects	588	541	(47)
<i>Sub Total</i>	801	6,702	5901
Total Local Risk	(8,077)	(8,290)	(213)
Central Risk			
Supplies and Services	0	(355)	(355)
Total Central Risk	0	(355)	(355)

Support Services			
City Procurement	(21)	(21)	0
Insurance	(16)	(16)	0
Premises	(411)	(411)	0
Sub Total	(448)	(448)	0
Net Expenditure	(8,525)	(9,093)	(568)
Recovery of cost from Services	8,525	9,093	568
Net	0	0	0

5. The principal reasons for the increase are:

- An increase in staff costs of £1.707m to reflect the cost of bringing the service 'in house' including the transfer of 23.6 FTE posts from Agilisys and the July 2023 pay award. It also includes an additional 13.0 FTE posts being fully recovered from the City of London Police (COLP);
- An increase in supplies and services of £4.490m is due to the inclusion of the City Police expenditure, and is fully recovered from CoLP;
- An increase in central risk budgets to reflect agreed projects funded either from transformation fund or from 2022/23 carry-forwards. The detail is set out in Appendix 3

Offset in part by

- An increase in fees in charges of £5.948m largely to reflect 'in house' costs being recovered from the City of London Police

Proposed Revenue Budget for 2024/25

6. The 2024/25 draft budget overseen by the Committee has been prepared in accordance with the overall budget policy guidelines as agreed by the Policy and Resources and Finance Committees. These are

- a 3% allowance for inflation;
- an allowance for the full year effect of the July 2023 pay award;
- an adjustment to remove the temporary provision for Head of IT & Capacity Manager;
- and a reduction of £900k in the local risk budget to recoup the savings made by bringing the Agilisys contract 'in house' to pay back the cost of the scheme (as agreed by Members)

Table 3 – Draft Budget 2024/25			
Chamberlain Summary Revenue Budgets All Risks	Original Budget 2023/24 £'000	Draft Estimate 2024/25 £'000	Movement Better/ (Worse) £'000
Local Risk			
<i>Expenditure</i>			
Employee Costs	(3,952)	(6,922)	(2,970)
Supplies and Services	(4,926)	(7,866)	(2,940)
<i>Sub Total</i>	(8,878)	(14,788)	(5,910)
<i>Income</i>			
Fees and Charges	213	6,760	6,547
Recharge staff to capital projects	588	308	(280)
<i>Sub Total</i>	801	7,068	6,267
Total Local Risk	(8,077)	(7,720)	357
Support Services			
City Procurement	(21)	(24)	(3)
Insurance	(16)	(16)	0
Premises	(411)	(349)	62
Sub Total	(448)	(389)	59
Net Expenditure	(8,525)	(8,109)	416
Recovery of cost from Services	8,525	8,109	(416)
Net	0	0	0

7. The net saving of £416,000 between the 2023/24 original and the 2024/25 proposed budget is shown in Table 3. The principal reasons for these are:

- An increase in employee costs of £2.970m. This reflects the cost of bringing the service in house, including staff transferred from Agilisys; the July 2023 pay award and an allowance for the July 2024 pay award. A significant proportion of the increase is recovered from CoLP
- An increase in supplies and services by £2.940m as a result of the inclusion of CoLP; A detailed breakdown of Supplies and Services budgets of £7,866m is provided at Appendix 4.
- A reduction to staff costs being recovered from capital projects of £280,000 which reflects the anticipated programme of schemes for 2024/25

Offset in part by

- An increase in fees and charges to reflect the costs now directly borne by the service being recovered from the City of London Police

Staffing Statement

8. The table below shows the movement in the DITS staffing and related staff costs for 2023/24 and 2024/25. The increase in posts of 36.6 comprises 23.6 FTE posts transferred from Agilisys and 13 FTE posts for created for City Police IT support the cost of which is recovered from them.

Table 4 Manpower Statement	Original Budget 2023/24		Draft Estimate 2024/25	
	Staffing full-time equivalent	Estimated Cost £'000	Staffing full-time equivalent	Estimated Cost £'000
Total Chamberlain	51.0	(3,952)	87.6	(6,922)

Capital Project Budgets for 2024/25

10. The committee's current approved capital projects are summarised in Appendix 2 together with the capital bids for 2024/25. The latest forecast expenditure on these schemes will be presented to the Court of Common Council for formal approval in March 2024

Appendices

- Appendix 1- Brief Overview of the Service
- Appendix 2 - Capital Projects
- Appendix 3 - Approved Projects for 2023/24
- Appendix 4 - Analysis of Supplies and Services Budgets

Contacts

Dawit Araya

Chamberlain's Department,

E: dawit.araya@cityoflondon.gov.uk

Samantha Kay

Chamberlain's Department

E: sam.kay@cityoflondon.gov.uk

DIGITAL SERVICES COMMITTEE
SERVICE OVERVIEW

Digital Information and Technology Services (DITS)

The name of the team changed on 1st April from IT to Digital, Information and Technology Services in order to reflect the wider digital remit that the division now has responsibility for delivering for the organisation.

The role of the Digital and IT Services Division, reporting into the Chamberlain and Chief Financial Officer, is now to provide:-

- stable and secure digital and information infrastructure and solutions; and
- innovative digital and information solutions.

The DITS Division provides services to the Corporation, City of London Police and London Councils.

DITS do this through a multi-sourcing model making the best use of internal resources where this is strategically necessary and third party suppliers for agility or specialist capability. The DITS team manage multi-million pound non-staff revenue and capital budgets which are tightly managed with a strong focus on value for money in the provision of customer focussed digital and information solutions and services.

Appendix 2

Draft Capital Budgets

The latest estimated costs of the Committee's current approved capital projects are summarised in the tables below

Comments	Project	Exp. Pre 01/04/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Later Years £'000	Total £'000
	<u>Authority to start work granted</u>						
Led by City Surveyors	Oracle Property Manager	708	947	-	-	-	1,655
IT Schemes:	IT – Managed Service	589	1,378	-	-	-	1,967
	IT – Member Device Refresh 2022	78	222	-	-	-	300
	Personal Device Replacement	2,226	24	-	-	-	2,250
	IT - BMS Wired Network.	2	128				130
	IT Security		100				100
Led by Chamberlain	HR Payroll, Finance, ERP	417	265	-	-	-	682
	TOTAL Digital Services Approved	4,020	3,064	0	0	0	7,084
	<u>Shadow Forecast</u>						
Led by Chamberlain	HR Payroll, Finance, ERP			9,359	9,359		18,718
	Total Digital Service Shadow Forecast	0	0	9,359	9,359	0	18,718

Notes

1. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. These figures exclude the implementation costs of those schemes which have yet to receive authority to start work.
2. There are a significant number of schemes in flight which have received authority to start work - mainly relating to IT projects.
3. The latest Capital Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2024
4. The Shadow Forecasts represents expenditure yet to be approved, as it has not reached the Gateway Stage
5. The Oracle Property Management System and ERP Projects are not DITS sponsored projects

Capital Bids for 2024/25

Project	Fund	24/25 £'000	25/26 £'000	26/27 £'000	Total £'000
Corporate Device Stock Replacement	All	250	-	-	250
Future Network Strategy	All	4,250	-	-	4,250
Audio Visual Equipment	All	140	-	-	140
Public Switched Telephone Network (PSTN) Replacement	All	2,500	-	-	2,500
Total		7,140	0	0	7,140

Notes

1. The above projects have been approved by the priorities board, Resource allocation Sub Committee, Finance Committee and Policy and Resources Committee as part of the 2024/25 new Capital bids process. The final decision for the 2024/25 Capital Budget will be by as part of the Medium Term Financial Plan approval by the Court of Common Council on 7th March 2024.

2. The Network Contract figures and PSTN are currently indicative figures with further work is being done to establish final budget figures.

Details for each Bid

Corporate Device Stock Replacement.

The procurement of new corporate devices to meet the demands of increasing staff numbers and replacement of end of life or faulty devices.

The COL device refresh programme was completed between 2020 – 22, however since that time overall staff numbers have increased and replacement devices are required for those that are broken or faulty outside of their original warranty. This bid is intended to fund replacement devices up until the next widespread refresh which would be required in 2026.

Future Network Strategy

This is needed to cover the retender and transition to the new network support contract prior to the end of the contract in January 2025. Funding will need to include the replacement of any Network equipment across COL and COLP prior to January 2025 and longer term, the refresh of the Network across existing COL and COLP buildings in line with the new Network strategy.

The Network Support contract ends in January 2025 and will become non compliant or cease. An unsupported or end of life network would place significant risk on the effective delivery of services with increased risk of network outages.

This bid is subject to further detail on the profiling and requested amount prior to full approval.

Audio Visual Equipment

The replacement of existing audio visual equipment across Committee Rooms and Corporate Meeting Room, originally installed in 2020, which is now end of life

There are in excess of 60 audio visual installations across Guildhall and other sites.

Failure to replace this equipment could mean that audio visual equipment becomes unstable or fails to function which will impact significantly upon Committee Meetings and hybrid officer meetings.

Public Switched Telephone Network (PSTN) Replacement

This project is the identification, assessment and remediation of existing telephone lines before the services end in December 2025 including services such as social housing lifts, door entry systems, barrier access control, care lines, office building with lifts and Fire alarm systems.

Should these systems fail to be upgraded by the end of 2025, this could lead to essential services being inactive, without anyone being aware. Failure to complete this work on time will have significant reputational and financial impact, along with the potential to endanger life.

This bid is subject to further detail on the profiling and requested amount prior to full approval.

Appendix 3

Approved Projects for 2023/24

Funded by budget carried forward from 2022/23:

	£	£
Implementation Sentinel security to mitigate Corporate Risk 16	69,000	
Finalise telephony migration	<u>30,000</u>	99,000

Funded from the Transformation Fund:

Data lighthouse project	67,000	
Power BI data architect	73,000	
Data governor manager	45,000	
Business analyst	40,000	
Developer transformation	<u>31,000</u>	
		<u>256,000</u>
		<u>355,000</u>

Appendix 4

Analysis of Supplies and Service Budgets

Supplies & Services	Original Budget 2023/24 £'000	Draft Estimate 2024/25 £'000	Variance £'000
Telephony	(120)	(266)	(146)
Mgd Services & Storage & Compute	(2,074)	(2,678)	(604)
Hardware & Software Support	(509)	(1,352)	(843)
Corporate Licences	(1,364)	(2,242)	(878)
Network	(859)	(1,328)	(469)
TOTAL	(4,926)	(7,866)	(2,940)

The variance from 2023/24 to 2024/25 can be explained by the fact that 2023/24 included only CoL direct budgets. From 2024/25 includes all City of London Police (CoLP) supplies and services costs which are fully recharged back to the Police. The saving of £847k are principally due to a reduction in Managed Services Costs following the transition from Agilisys. which in part offsets the increase in CoL staff costs (the extra staff costs for Police being fully recovered) .

To variance between the Original 2023/24 and 2024/25 budgets can be explained as follows:

£000's	Original Budget 2023/24 – CoL Only	Draft Estimate 2024/25						Explanation CoL Variance
		CoL Budget	City of London Police	Total Budget	Variance CoL Budgets	Variance CoLP Budget	Total Variance	
Telephony	(120)	(65)	(201)	(266)	55	(201)	(146)	Savings from Teams Migration
Mgd Services & Storage & Compute	(2,074)	(1,248)	(1,430)	(2,678)	826	(1,430)	(604)	Savings from Transition/TUPE
Hardware & Software Support	(509)	(601)	(751)	(1,352)	(92)	(751)	(843)	Additional Costs from insourcing
Corporate Licences	(1,364)	(1,413)	(829)	(2,242)	(49)	(829)	(878)	Additional Costs from insourcing
Network	(859)	(752)	(576)	(1,328)	107	(576)	(469)	Network Savings
TOTAL	(4,926)	(4,079)	(3,787)	(7,866)	847	(3,787)	(2,940)	

If the inclusion of £3,787k of Police costs are excluded (as these are fully recovered from the Police, the net saving on City of London budgets is £847,000.

It should be noted, to avoid over complicating the table above, that the City budget shown, also includes £83,000 that is fully recovered from London Councils. There is no variance on this budget between the two years.