Committee:	Date(s):
Information Systems Sub Committee	11th March 2015
Subject: Agilisys Managed Service – Financial Report	**Public**
Report of: Chamberlain	**For Information**

Summary

This report provides Members with an update on of the financial performance of the Corporation's managed IS service contract with Agilisys Ltd.

The overall position is good, with costs remaining within budget. However, the potential for increases in data storage volumes and numbers of servers is a significant risk, and we are working with our partner to mitigate this.

As we have completed our migration to the Infrastructure as a Service (IaaS) platform our server and data usage has been greater than originally estimated. We are now working with Agilisys to obtain the detailed reporting required to understand where this increase lies and the mitigation required to reduce it.

As part of good practice going forward, we are reviewing our information management policies and server usage. For the IS Division this will focus on managing our servers efficiently and for the business we will focus on data management, to ensure departments are provided with clear guidance on how they should manage their data assets. Actions underway include:

- Reviewing use of the W: drive and storage of personal data.

- Consideration for regular deletion/clear-down of all data held in the W: drive File Transfer folders.

- Review of data usage across department network drives.

- Shutting down of test and development servers which are not in use.

- Implementation of technology solutions to better manage data.

Members should note that any growth in utility pricing was excluded from the IS Budget at the start of the managed service, on the understanding any increase in usage and therefore spend would be agreed with Committee.

Recommendation

That the report be received.

Main Report

1. Introduction

1.1 This report provides Members with an update on the financial performance of the managed IS service contract with Agilisys Ltd. The report describes spend against budget over these main areas:

- Business as Usual service – the day-to-day operational service, including fixed-price and variable price services.

- Projects – projects that formed part of the transition to the managed service, including Mandatory, Transition, and Integration projects.

1.2 Invoices are received on a monthly basis, charging in arrears for the previous calendar month. The level of charge for variable price services are estimated one quarter in advance, based on the volume of actual use in the last month of the previous quarter. A reconciliation process at the end of each quarter allows for adjustments for over or under charging during the year, maintaining greater accuracy in budget forecasts.

2. Business as Usual (Core contract)

Fixed price services

2.1 The following services operate on a fixed-price basis.

- Voice and Data network and telecoms support

- Support for the Business Rates and Council Tax system

- Support for the Oracle R12 system

2.2 The charges for fixed-priced services are subject to increase thorough indexation. The method for calculating indexation is detailed in the contract, and is reviewed in preparation for the anniversary of the start of the contract each September. The key indices are: rate of inflation as per the Retail Price Index (RPI), and the Local Government Pay Award.

2.3 For this contract year (September 2014 to August 2015) the level of indexation has been calculated as 1.6%, this is within the indexation applied to the IS Budget.

Variable price services

2.4 The services identified below have a cost based on volume of use, and are subject to indexation.

- End User Support & Service Desk – based on number of staff with network accounts

- Storage – total volume of data storage allocated for applications and documents

- Servers – number of server computers (virtual and physical) in active operation

2.5 Agilisys provided a billing schedule at the start of the contract using estimated volumes to base their bid cost for the Tender. The original and revised figures for all variable price services are shown in Table 1 below.

Table 1: Summary of Cost Variations for variable price service charges

Month	Original Cost (Estimated August 2013)	Actual Cost	Difference
September 2014	£202,740	£164,766	-£37,974
October 2014	£203,320	£178,176	-£25,144
November 2014	£203,320	£185,577	-£17,743
December 2014	£203,320	£202,030	-£1,290
January 2015	£203,320	£226,508	£23,188
February 2015	£203,320	£228,369	£25,049

2.6 The reasons for the cost variations are:

- The number of staff network accounts has been revised down from 3300 to 3205 following the removal of staff accounts now allocated to Agilisys, the removal of resource accounts (network accounts not attributed to staff) from the total, and an overall reduction in the number of network accounts.

- An initial reduction the in volume of storage charged, due to the delay in migrating systems to the IaaS service, where the original estimate for storage was based on a larger number of systems migrating by September 2014. However, from January 2015, with good progress on the IaaS migrations, the total volume has exceeded the estimates provided at the start of the contract. This is due to more storage space being allocated to applications and document storage. Refer to Table 2 below, for a summary of storage volumes and costs.

- A variation in the number of servers – this follows a similar pattern to storage, with IaaS migration delays reducing the charges for September to January. Beyond February 2015, server numbers are projected to exceed the original estimate. There are two main reasons for this increase: the number of servers used for the website has not reduced as expected, due to IS resources being allocated to higher priority projects, and under the model for charging for servers, all non-production servers (those used for test and training copies of the production system) will incur a charge. This situation was known in advance, and IS have planned a process to deactivate all non-production servers, with activation on request and only when use of these servers is required. This should reduce the number of servers to more closely match the original estimate.

Table 2 - Core Service data storage volumes

Month	Estimated Volume (Tb) (Aug 2013)	Actual Volume charged (Tb)	Estimated Cost (August 2013)	Actual Cost
September 2014	111	65	£41,702	£24,904
October 2014	111	76	£41,702	£28,979
November 2014	111	86	£41,702	£32,958
December 2014	111	97	£41,702	£36,927
January 2015	111	133	£41,702	£50,791
February 2015	111	133	£41,702	£50,791

3. Projects (Core contract)

3.1 The 7 Mandatory Improvement projects were all fixed-price projects., with a total cost of £592k. There are two projects still running (ITIL and IaaS) both will be charged at the original fixed rate despite suffering from delays. Indexation does not apply to these projects.

3.2 Transition and Integration covers the transfer from an in-house supported service to a managed service. These elements were identified separately as part of the financial model provided by Agilisys as part of their Bid. The total charges have not changed from the original bid, and are not subject to indexation.

3.3 The charges for Infrastructure Capital investments are for the procurement of servers and other infrastructure by Agilisys, which are required to sustain the IaaS project. The original estimate provided in the Bid was £316,973 which is spread across the 5 years of the contract, as shown in Table 3 below. Indexation has been applied to the original charges from service year 2 onwards.

Table 3: Infrastructure Capital Investment costs

Service Year	Planned Charge	Actual Charge
(1) Sept 2013 to Aug 2014	£105,075	£0 (confirmed)
(2) Sept 2014 to Aug 2015	£86,627	£7,700 (to date)
(3) Sept 2015 to Aug 2016	£59,411	Not yet known
(4) Sept 2016 to Aug 2017	£39,482	Not yet known
(5) Sept 2017 to Aug 2018	£34,913	Not yet known
Totals	£325,508	£7,700 (to date)

3.4 Agilisys have confirmed that the sum of £105,075 due in the first year will not be billed. From the £86,627 due by August 2015, only £7,700 has been billed to date, and Agilisys estimate that only a further £28,000 will be spent in this service year. This should mean an underspend of approximately £50,000. So far Agilisys have been able to accommodate the infrastructure required for the IaaS project within their existing estate. Spend in the remaining years of the contract will be managed closely but will vary based on demands as yet undefined.

4. Police

4.1 The managed service contract with Agilisys started in December 2014. The initial three months of this contracts are proceeding to plan with no variance from the planned budgets.

Business as Usual

4.2 The Police costs follow the same format as for the core City of London contract, with both fixed and variable price services. Indexation is applied in the same manner. The total cost of the BAU service for the Police as identified in the Bid is £8,587,679

Mandatory, Transition and Integration

4.3 Agilisys are following the same methodology as that used for the core, City of London managed service, with the same 7 Mandatory Improvement projects, plus an additional, significant project unique to the Police for addressing the Security and Core Assurance Mechanisms.

5   Overall Financial performance

5.1 The overall cost of the contract remains broadly within budget. Indexation for the second year of the contract is below the inflation uplift applied to the IS Division's budget. Increases in use for storage and servers remains a concern, but this is being closely monitored.

6   Opportunities for cost reduction

6.1 The decision to move to a variable price model for some services enables reductions in consumption to lead to reduced costs. To achieve savings requires effective management of use in the 3 areas below:

- **End Users** – sufficient management exists to match changes in the number of staff employed, who have a network account, to the charge per user. Key to this is effective management of the starters and leavers process.

- **Servers** – To maximise cost effectiveness, IS will reduce the number of servers by deactivating test servers when not in use.

- **Data storage** – This area represents both the greatest risk due to ever increasing volumes of data storage, and the one area that can be most effectively managed with changes to information management policy and practice. It is proposed that….

    o   Review of W: drive used for shared storage, consider the deletion of files in File Transfer folders (approx. 1Tb of data alone)

    o   Issue guidance to delete personal photographs stored on the network

    o   Review and adopt appropriate file retention policies.

    o   Use of technology, including de-duplication, tiered storage and archiving.

7 Next steps

7.1 It is essential that the contract with Agilisys is managed effectively, in order to ensure a cost-effective service is maintained. The IS Division is strengthening the existing, interim contract management function for both the core service and the Police.

7.2 Agilisys will provide monthly reports for all variable price services, which will be scrutinised by IS staff. This will feed into Quarterly financial review meetings to ensure tight management of the contract finances.

7.3 We will work with both technology and Information Governance Policies to ensure the volume of data and server infrastructure is managed efficiently.

7.4 Going forward we will report on this position as a standing agenda item to the IS Sub Committee.

8 Conclusion

8.1 The overall financial position for the Agilisys managed service contract is on target and risks are being managed. Strengthened management and frequent reporting will ensure this managed position is maintained.

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