

Report – Policy and Resources Committee

IT Division Budget

To be presented on Thursday, 8th December 2016

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

Work undertaken by the IT Division to understand the current state of the IT infrastructure and the impact on the IT Division budget has identified the need for a significant increase in resources. The IT Division is, therefore, requesting an in-year uplift of £2.8m to enable all commitments to be met and additional work to stabilise infrastructure and lower risk. Such an in-year uplift requires the consent of the Court. It should be noted that this proposal is supported by your Finance Committee and Members of its IT Sub-Committee.

Factors that contributed to the request for additional resources include:

- a focus on cost reduction leading to Officer reluctance to bring forward the large scale cost proposals needed. The focus will now be on ensuring the provision of an IT Service that is fit for purpose across the Corporation and Police, whilst ensuring that appropriate cost controls are in place;
- difficulty in centralising IT services in the Chamberlain's Department;
- the challenge to recruit staff with the skills and experience required; and
- not ensuring that a full understanding of the managed service partnership was embedded across the organisation.

In future years, to improve the position, the IT Division will ensure that the medium term strategy for IT services is developed, informed by the business planning processes of the organisation; this will also include working with the organisation including the finance division to improve the financial processes linked to IT and the developing of further Capital projects to improve the state of the IT infrastructure. The IT operating model will be revised to support the strategy.

In addition to this in-year budget uplift, it is expected that, over the next ten to fifteen months, capital funding of around £10m will be sought.

RECOMMENDATION

It is **recommended** that Members approve an uplift of £2.8m to the IT Division budget in 2016/17.

MAIN REPORT

Background and Current Position

1. The work by the IT division to stabilise IT services identified a number of areas where additional resources would be required. The causes of the problem have been identified as follows:
 - the focus on cost reduction not being compatible with the recently discovered level of complexity of the Corporation's IT infrastructure or with the difficulty of integrating the City Police's IT, the changing IT market, the growing levels of threat, and the quality of service expected by all the users of IT services. This focus discouraged Officers from bringing forward the large scale investment required to improve service quality and resilience. The focus will now, however, be on ensuring the provision of an IT Service that is fit for purpose across the Corporation and Police, whilst ensuring that appropriate cost controls are in place.
 - The challenges for the IT Division are: to enforce standards, to sign-off on the revenue implications of IT services adopted by users, to gain a clear oversight of spend affecting the Division (especially within City Police), and to drive policy that would enable the IT Division to reduce the different approaches being taken. Some of this can be linked to the incomplete centralisation of IT services into the Chamberlain's Department a number of years ago.
 - The IT Division will work with Finance colleagues to seek an improved model of control that creates a clearer link between cost and consumption. We will look to show how costs being carried by the IT Division are affected by user decisions and develop a process of sign-off and acceptance for any decisions, works or changes that influence the financial position. The future proposals that are presented to Members will include the resource implications of making these improvements.
 - The difficulty in recruiting staff with the right skills and experience has also had an impact on the current position.
 - Not ensuring that the implications of the managed service partnership was embedded into departmental IT usage, and undertaking the partnership when a number of the issues mentioned above had not been addressed.

Revised Strategic Approach

2. Analysis of the current IT infrastructure has exposed the most significant risks. The Audit and Risk Department's structured framework for risk management has now been implemented and this will be further improved during 2016/17. The IT risk register is available to Members upon request.
3. As well as the analysis on the current risks within the IT Division, the senior team has been working on a vision statement, drawn from the departmental business plan, which will feed into the core of a revised strategy for IT. In turn this strategy will guide the short term operating model for the Department. The approach described is an acknowledgement of the changing IT market place and has been verified by various industry partners as being an appropriate

approach for the organisation. The draft IT vision statement is available for Members upon request.

Budget Uplift

4. We are recommending a total uplift of £2.8m additional revenue for 2016/17, to meet financial obligations, to cover costs in City Police, and to invest in infrastructure changes that will lower the risk associated with our most fragile infrastructure. The estimate is based on projections for the amount of infrastructure change work that can be achieved before financial year end, the number of unknown issues that occur as a result of the ageing estate, and our ability to recruit the interim and contract resource we need to drive the work effectively. The £2.8m uplift in the 2016/17 revenue budget will enable the IT Division to more appropriately align the risks to the risk appetite of the Corporation.

The core elements of the requested uplift are:

Description	Amount
CORPORATION	
Additional Managed Contract costs (Servers, Storage, Web Hosting, Oracle etc.)	£1m
Additional or improved network connections between locations where the implications of the new circuit or uplift have not been captured.	£300k
Increased software licensing costs.	£66k
Compliance works to ensure continued PSN connection.	£50k
POLICE	
The reimplementation in to the Budget of savings expected from the City of London Police	£500k
Costs associated with the higher than expected use of storage and servers following the transfer of some Police systems to the Agilisys data centres (IaaS or Infrastructure-as-a-Service).	£400k
ESTIMATED SAVINGS	
Potential rebates in relation to data storage, projects, testing and development servers.	Up to (£200k)
TOTALS	
Total requested uplift for 2016/17	£2,116k

Description	Amount
Recruitment of interim and contract roles to cover vacancies within the team. This will improve the focus on contract management, service delivery and quality of service.	£300k
Additional budget to procure infrastructure and services from suppliers to remediate elements of the infrastructure that are failing and causing significant organisational disruption.	£300k
Additional budget to cover the increased costs of compliance and security work that will ensure our information resources remain safe.	£50k
Additional budget to cover the changes and additional equipment associated with the election next year.	£30k
TOTALS	
Total requested uplift for 2016/17	£680k

5. Transformation activities required to reset the position and to put in place a fully supportable, secure and resilient infrastructure are not included in this figure. Capital works are required to achieve these objectives and the proposals we are developing will be around £10m, underpinned by a higher revenue baseline spend during the transition to the new operating model. The works will be presented to the appropriate Committees over the next 15 to 18 months.

All of which we submit to the judgement of this Honourable Court.

DATED this 17th November 2016.

SIGNED on behalf of the Committee.

Mark Boleat
Chairman, Policy and Resources Committee