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Leicester City Council

ICT Services Delivery Options Appraisal
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TABLE OF CONTENTS

1 EXECUTIVE SUMMARY

1.1 Introduction

This report follows on from the 'As Is' assessment of ICT service provision at Leicester City Council ("the Council") which concluded that the current ICT organisational structure is not optimal for the Council.

This report sets out options for alternative ICT operating structures for discussions with Council officers, although for the purpose of stimulating debate we have identified a preferred option.

1.2 Work performed

This report identifies six alternative structure models and analyses the suitability of each based on priorities identified by Strategic Resource Directors across the council, as well as from the key findings of the 'As-Is' report and current common practice in UK local authorities.

First the six potential models were reduced down to three, and then down to two. A preferred model based on a combination of the two is proposed for consultation.

The models reviewed were:

Service Delivery	Structuren	Characteristics
In-House	Centralised	Majority of services provided by in-house staff, ICT managed by a central unit
In-House	Hybrid	Majority of services provided by in-house staff, ICT is managed through a combination of central and devolved teams, working under a standardised framework
Partially Outsourced	Centralised	Services provided by a mixture of internal and external teams which are managed by a central unit
Partially Outsourced	Hybrid	Services provided by a mixture of internal and external teams, managed by a combination of a central and devolved teams working under a standardised framework
Outsourced	Centralised	Majority of services provided by external contractors which are managed by a central unit
Outsourced	Hybrid	Majority of services provided by external contractors which are managed through a combination of central and devolved teams, working under a standardised framework

1.3 Key Findings

The three models based on a hybrid or devolved delivery structure did not score well in the assessment, generating lower scores for reasons including cost, lack of consistent strategy and potential service duplication and confusion. This is supported by the findings of the 'As Is' report which found that the current hybrid style delivery model was disliked by the majority of interviewees.

Models based on centralisation scored higher based on the potential to reduce cost and to deliver a more co-ordinated and better planned service likely to result in better service levels. However, the need to retain departmental knowledge and flexibility under models based on centralisation was identified as key issues that need to be addressed.

The assessment performed resulted in a neutral view to outsourcing, as it appeared that the choice between the structure (centralised or hybrid) had a greater impact on the scoring rather than the service delivery style (in-house or outsourced). In all our interviews, the majority of respondents were receptive to outsourcing with a recognition that the deal with the private sector 'had to be right'.

Initially the assessment led to the following preferred options:

- In-house centralised
- Partially outsourced centralised
- Outsourced centralised

Further analysis and a review of current market outsourcing deals led to the in-house and partially outsourced models being preferred over the full outsourcing option for the following reasons:

- A review of recent deals in the computing press confirmed the view that the majority of recent deals made with local authorities are either strategic, where the partner brings in a large capital investment and/or takes a wider service delivery role across the Council, or focussed, where the partner takes on responsibility for a particular area of ICT, for example support and maintenance. We could not identify a successful project where a partner had been asked to take on a full existing ICT function and simply improve service delivery.

- We believe there is a significant risk in taking the current sub-optimal operating structure to the private sector and asking for someone to run it. We believe it would be difficult to price and contract to ensure any efficiency savings generated would accrue back to the Council and not to the partner.

- The deal would likely be a difficult size, being big enough to generate significant bidding, legal and contractual costs for the partner, but not creating a particularly large stream of income to set these against. There is a risk that the partners contract costs and profit margin could cancel out the efficiency savings generated.

- Selection of this model would have a significant time impact on the Councils plans to modernise ICT, with a likely 18-24 month delay.

1.4   Development of a preferred model

Following the above analysis we were left with two preferred options:

- In-house centralised
- Partially outsourced centralised

However, these models were preferred with a recognition that neither model offered the departmental business knowledge and flexibility ideally desired by the organisation.

Further analysis led to the development of a consolidated model taking the best parts from each option, on which we now wish to consult. The model is:

- based on an in-house centralisation to control costs, co-ordinate strategy and improve service;
- builds in the option to outsource individual activities or groups of activities where there is a business case to do so;
- has appropriate services delivered locally by staff based within the departments to maintain the required levels of business knowledge and flexibility.

The model proposed is considerably different to the current ICT operating arrangements. Activities would be performed at the location most advantageous to the Council, for example:

- All common ICT services would be led centrally to maximise efficiency and facilitate better performance management. These services would include strategy, staff management, technical infrastructure management, support (including help desk), contract management and procurement.

- Each department would have an Account Manager who would act as the link between Central ICT and the Department. Options need to be explored around reporting structures for these Account Managers.

- Specialist business related services would be delivered by teams physically located in departments. These services would include business application support and implementation and other specific services required by each department. Options need to be explored around reporting structures for these teams.

- Key change projects would involve teams cutting across this structure, picking up appropriate ICT staff from across the organisation, supported by project management provided by centrally.

1.5   Advantages of the preferred model

The preferred model would offer significant benefits to the organisation as follows:

- Efficiency savings, arising from:

  - Reduction in current duplication of ICT strategy, management and support functions across the multiple ICT departments leading to a slightly reduced overall headcount requirement by 07/08. The reduction in headcount is likely to be comparatively small due to the requirement to also increase ICT service performance levels – there must be recognition of the cost/performance tradeoff. There would need to be some element of reorganisation due to the creation of new/changed posts in the proposed arrangements.

  - Application of a consolidated procurement function for ICT generating economies of scale and supplier sourcing savings;

  - Reduction in expenditure from introducing consistency and commonality across all activities and infrastructure, looking to consolidate platforms over time to reduce support and maintenance costs.

- Improved ICT service performance, particularly relating to organisation wide support and user satisfaction.

- Removal of the current confusion around ICT operation and the opportunity to start a new way of working on a clean slate without the 'baggage' of the past.

- Delivery of a consolidated and co-ordinated ICT function across all departments which is better able to support the long term business requirements of the Council whilst minimising conflict.

1.6   Recommendation

The recommendation of this report is that these findings go forward to a consultation exercise with ICT staff and key users where the preferred model outlined here is debated. Once the Council has settled on an agreed model then a business case will be prepared for the chosen option.

2 BACKGROUND

2.1 Case for Change

Deloitte has performed an 'As Is' assessment of ICT service provision at Leicester City Council ("the Council") and has concluded that the current ICT delivery environment is not optimal for the Council's requirements and there is a strong case for change. The main issues raised by the assessment are:

- **The current ICT Organisational structure is not optimal for the Council**
Duplications between ICT functions exist between departmental and centrally provided ICT services. Roles and responsibilities are unclear, service delivery is inadequate and the ICT service is failing to engage with its users. There is a strong backing for organisational change.

- **Total cost of ICT provision is above average for similar local authorities**
Council ICT costs have been compared to SOCITM benchmark figures, and found to be above the average for similar local authorities as a percentage of revenue expenditure and the average cost per user.

2.2 Identifying Future Delivery Models

Deloitte has performed a review which has identified a total of 6 broad organisational models the Council's ICT function could conform to. These models combine three service delivery options; In-house, Partially Outsourced, or Outsourced with two structure options; Centralised or Hybrid. A third structural option; Decentralised, was not considered as we believe that will not deliver the key objectives of this review.

Service Delivery	Structure	Characteristics
In-House	Centralised	Majority of services provided by in-house staff, ICT managed by a central unit
In-House	Hybrid	Majority of services provided by in-house staff, ICT is managed through a combination of central and devolved teams, working under a standardised framework
Partially Outsourced	Centralised	Services provided by a mixture of internal and external teams which are managed by a central unit
Partially Outsourced	Hybrid	Services provided by a mixture of internal and external teams, managed by a combination of a central and devolved teams working under a standardised framework
Outsourced	Centralised	Majority of services provided by external contractors which are managed by a central unit
Outsourced	Hybrid	Majority of services provided by external contractors which are managed through a combination of central and devolved teams, working under a standardised framework

2.3 Objectives

The objective of this phase of the ICT Services review is to evaluate the different models above according to the requirements of the Council and select only those that can fulfil them. The next phase of this work will include:

- Workshops on the preferred model with ICT staff and key users;
- Development of a business case and high level implementation plan for the preferred model.

2.4 Approach

In order to best determine which of the proposed models best match the requirements of the Council, two separate types of activity were carried out. Strategic Resource Directors (SDs) were interviewed in order to capture departmental requirements, the results of which have been pooled to create an overall priority map. Parallel to this, a study of similar councils and relevant literature has been conducted in order to ensure that the evaluation is carried out with reference to current best practice.

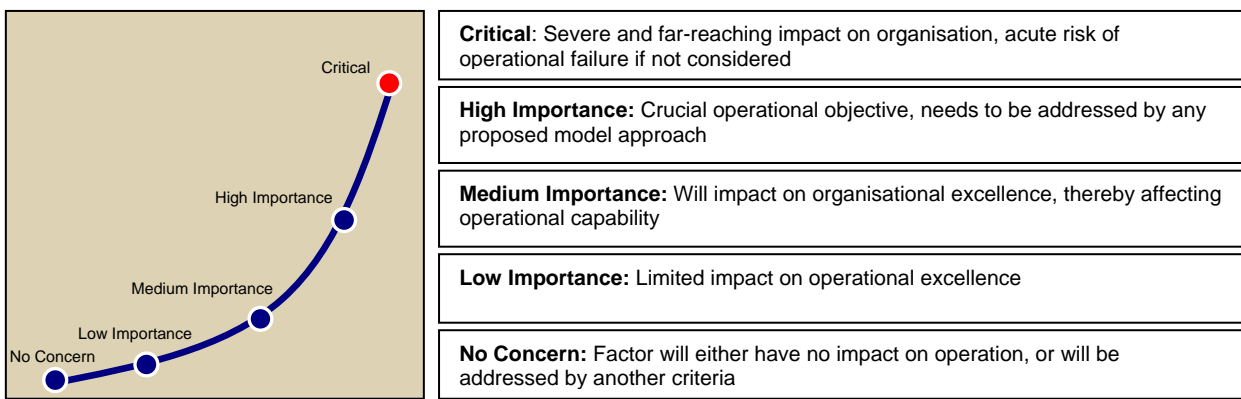# 3 EVALUATION OF PROPOSED MODELS

3.1 Prioritisation of Evaluation Criteria

Each of the proposed models will have particular strengths and weaknesses relating to costs, service delivery, and organisational objectives. In order to capture which features of any future model are most important to the Council, an exercise was undertaken to identify and prioritise the possible criteria identified below.

Area	Organisational ICT Assessment Criteria
Business Process	Departmental Business Knowledge
Business Process	Access to corporate information
Business Process	Accountability
Business Process	Business system functionality
Business Process	Project Management
Business Process	Departmental freedom
Business Process	Consistent Information management
Business Process	Proximity of IT function
Business Process	Business transformation skills
Business Process	Business transformation capacity
Costs	Value For Money
Costs	Procurement Item Costs
Costs	Procurement Process Costs
Costs	Efficiency
Customers	Unified council for customers
Customers	Quality of customer experience
Performance management	CPA (external agreements)
Performance management	Aligned to best practice
Risk	Auditibility
Risk	Risk of changing from status quo
Risk	Security
Service Delivery	Internal Customer driven
Service Delivery	Project Delivery
Service Delivery	Business Responsiveness
Service Delivery	Support Responsiveness
Service Delivery	System Performance
Service Delivery	Procurement timescales
Service Delivery	First line fix
Service Delivery	General fix
Service Delivery	One call to all
Service Delivery	Infrastructure stability
Service Delivery	Interoperability

Service Delivery	Lack of Bureaucracy
Service Delivery	BCP/DR
Service Delivery	System standardisation
Service Delivery	Unified login
Strategy	Strategic vision
Strategy	Availability of investment funding
Strategy	Quality procedures to determine priority of investment funding
Strategy	Consistent corporate standards
Strategy	Strategy aligned to business
Strategy	Corporate trust
Strategy	Benefits realisation/payback

Resource Directors from each department were interviewed and asked to prioritise each of the above criteria according to the following classifications.

Critical: Severe and far-reaching impact on organisation, acute risk of operational failure if not considered

High Importance: Crucial operational objective, needs to be addressed by any proposed model approach

Medium Importance: Will impact on organisational excellence, thereby affecting operational capability

Low Importance: Limited impact on operational excellence

No Concern: Factor will either have no impact on operation, or will be addressed by another criteria

We wish to thank the following Directors for their time and cooperation during the interview process.

SD	Department
Jill Craig	Resources, Access and Diversity (RAD)
Adrian Paterson	Education and Lifelong Learning (ELL)
Dave Pate	Housing (HSG)
John True	Social Care and Health (SC&H)
Andy Keeling	Regeneration and Culture (R&C)

3.2   Prioritisation Interview Results

A summary of the criteria rated as most important is shown below:

Organisational ICT Assessment Criteria	Critical	High	Medium	Low
Business system functionality	3	2	0	0
Value For Money	3	2	0	0
Quality of customer experience	3	2	0	0
Departmental Business Knowledge	3	2	0	0
Consistent Information management	3	1	1	0
Security	3	1	1	0
Unified council for customers	3	1	0	0
Support Responsiveness	2	3	0	0
BCP/DR	2	3	0	0
Infrastructure stability	2	2	1	0
Project Management	2	2	0	0
Efficiency	2	2	0	0
Strategic vision	2	1	1	1
One call to all	2	0	1	1

Overall the criteria prioritised are in line with those which would have expected. It is assumed that any future model for ICT should at a minimum aim to address all the concerns raised in the above table.

In addition to collecting the priority for each criteria, Resource Directors were invited to give comments for each result given. The following table summarises the main issues raised.

Area	Comments
Strategy	• Strategy needs to be tool for creating action rather than bureaucracy • Has to take an inclusive and holistic approach drawing from departmental knowledge and requirements • Require high level understanding and accountability for resource allocation based on sound investment decisions
Service Delivery	• Needs to be customer-focused • Infrastructure needs to be closely aligned with departmental needs to ensure stability and performance
Business Process	• Require departmental flexibility • Business transformation skills not currently closely aligned with IT function • Need to address data accessibility and duplication issues
Performance Management	• More important to deliver services aligned with business needs than with external standards
Cost	• Need full cost transparency and justification
Risk	• Low perceived risk from implementing new model providing this is managed sensitively • Security needs to be addressed as a 'hygiene factor'; well managed security is essential, but should not prevent service improvements
Customers	• Customers are the focus of the entire operation, cannot achieve success unless their needs are met

3.3   Prioritisation Interview Results Analysis

Options appraisals typically involve some form of analytical rating. Care must be taken in interpretation of the results, as no mathematical scoring model could ever balance the quantitative and qualitative assessments required to make the best judgement. In particular, the design of the scoring approach and assumptions made in the rating of individual options can have a material impact on individual scores. It must be recognised since scores are likely to have some margin for error, analytical ratings should be used to differentiate the strong from the weak options, rather than to choose an overall 'winner'.

For this analysis, each criteria priority level was firstly allocated a point score as illustrated in the following table.

Priority	Points Assigned
Critical	8
High	4
Medium	2
Low	1
No Importance	0
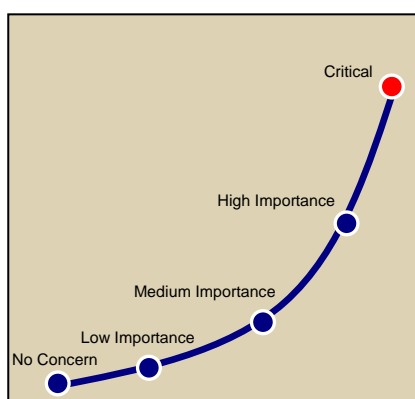
Point scores were normalised resulting in the total score for each department being identical and thereby equally weighted. The scores were summed to produce a total point value and used to order the criteria in order of their weighted importance.

Organisational ICT Assessment Criteria	Normalised Priority Score (Highest = Most Important)

Departmental Business Knowledge	100
Business system functionality	100
Quality of customer experience	99
Value For Money	94
Efficiency	87
Unified council for customers	86
Consistent Information management	86
Security	86
Support Responsiveness	82
BCP/DR	81
Infrastructure stability	75
System Performance	74
Project Management	64
Accountability	63
Availability of investment funding	61
Strategic vision	61
Internal Customer driven	61
Departmental freedom	58
First line fix	55
Business Responsiveness	53
Quality procedures to determine priority of investment funding	53
Auditibility	52
Project Delivery	50
Interoperability	49
One call to all	49
Lack of Bureaucracy	48
Procurement Item Costs	46
Strategy aligned to business	46
Access to corporate information	46
Consistent corporate standards	45
Aligned to best practice	45
Corporate trust	44
General fix	42
Unified login	38
Procurement timescales	37
Business transformation skills	36
CPA (external agreements)	33
Benefits realisation/payback	32
Business transformation capacity	28
Procurement Process Costs	26
System standardisation	23
Proximity of IT function	17
Risk of changing from status quo	5

3.4 Organisational Model Analysis Against Interview Results

To assess each of the proposed models against the priorities of the Council, each of the Service Delivery and Structure components was evaluated against each individual assessment criterion.

3.4.1 In-House Centralised

In-house Centralised Advantages	In-house Centralised Disadvantages
• Direct control over service delivery; • Consistent standards and approaches; • Staff and unions may favour this option over outsourcing; • Lower 'client-side' management costs; • Efficiency benefits can be retained and realised by the Council; • Profit not required – any external supplier would be looking for a minimum of a 10% profit margin. • Control of change is maintained by the Council • More likely to be efficient and provide effective service (as duplication less likely).	• In-house services can have a tendency to be focused at what the provider can deliver rather than the service needs. • Does the council have the capacity to adequately resource future change management programmes; • Flexibility to adapt to major change; • Ability to deliver innovation and react to departmental requirements; • Access to wider skill-set is restrained; • Requires culture of collaborative council working; • Requires acceptance of centralised control and management.

Significant Positive Impact	Some Positive Impact	Neutral Impact	Some Negative Impact	Significant Negative Impact
• Access to corporate information • Accountability • Consistent Information management • Value For Money • Auditibility • Security • System standardisation • Consistent corporate standards • Strategy Aligned to Business • Unified login	• Procurement Item Costs • Unified council for customers • Quality of customer experience • First line fix • One call to all • Infrastructure stability • Interoperability • Project Management • Project Management • Efficiency • Aligned to best practice • Strategic vision	• Proximity • CPA (external agreements) • Risk of changing from status quo • Support Responsiveness • General fix • Corporate trust	• Departmental Business Knowledge • Internal Customer driven • Project Delivery • System Performance • Procurement timescales • Lack of Bureaucracy • Availability of investment funding • Quality procedures to determine priority of investment funding • Benefits realisation/payback • Business system functionality	• Business Responsiveness

3.4.2 In House Hybrid

In-house Hybrid Advantages	In-house Hybrid Disadvantages
• Direct control over service delivery; • Staff and unions may favour this option; • Application of local knowledge and understanding of services and relationships; • Lower 'client-side' management costs; • Efficiency benefits can be retained and realised by the Council; • Profit not required – any external supplier would be looking for a minimum of a 10% profit margin; • Control of change is maintained by the Council • Offers the departments maximum flexibility and control.	• In-house services can have a tendency to be focused at what the provider can deliver rather than the service needs. • Does the council have the capacity to adequately resource future change management programmes; • Flexibility to adapt to major change; • Ability to deliver innovation; • Access to wider skill-set is restrained; • Unlikely to be efficient and effective due to duplication; • Unlikely to provide a good overall service due to departmental requirements being prioritised over corporate objectives.

Significant Positive Impact	Some Positive Impact	Neutral Impact	Some Negative Impact	Significant Negative Impact
• Departmental Business Knowledge • Proximity • Risk of changing from status quo • Support Responsiveness • General fix	• Access to corporate information • Departmental freedom • Procurement Process Costs • Internal Customer driven • Procurement timescales • First line fix • Consistent corporate standards • Auditibility	• Accountability • Business system functionality • Consistent Information management • Value For Money • Quality of customer experience • CPA (external agreements) • Security • Business Responsiveness • System Performance • Infrastructure stability • Lack of Bureaucracy • System standardisation • Strategy aligned to business • Corporate trust • Aligned to best practice	• Business transformation skills • Business transformation capacity • Project Management • Procurement Item Costs • Efficiency • Unified council for customers • Project Delivery • One call to all • Interoperability • BCP/DR • Unified login • Availability of investment funding • Benefits realisation/payback	• Strategic vision • Quality procedures to determine priority of investment funding

3.4.3   Partially Outsourced Centralised

Partially Outsourced Advantages	Partially Outsourced Disadvantages
• Improved access to skills and resources of the private sector (e.g. commercial acumen, technology); • Greater overall flexibility; • Can allow better management of risks and can be used to limit liabilities; • The Council will still have desired level of control; • Individual contracts can be more collaborative and less adversarial than traditional outsourcing; • More likely to be efficient and provide effective service (as duplication less likely).	• Time and costs involved in establishing and operating various individual contracts; • May not necessarily be attractive to larger suppliers given size of contract/s; • May not realise maximum cost savings due to smaller contract sizes; • Difficulties in matching public and different supplier cultures; • Requires culture of collaborative council working; • Requires acceptance of centralised control and management.

Significant Positive Impact	Some Positive Impact	Neutral Impact	Some Negative Impact	Significant Negative Impact
• First line fix • Infrastructure stability • BCP/DR • Strategy aligned to business	• Access to corporate information • Project Management • Business transformation skills • Business transformation capacity • Value For Money • Procurement Item Costs • Efficiency • Quality of customer experience • CPA (external agreements) • Project Delivery • System Performance • Strategic vision • Availability of investment funding • Quality procedures to determine priority	• Accountability • Consistent Information management • Unified council for customers • Auditibility • Security • Internal Customer driven • Business Responsiveness • Support Responsiveness • General fix • One call to all • Interoperability • System standardisation • Unified login • Consistent corporate standards	• Departmental Business Knowledge • Departmental freedom • Proximity • Procurement Process Costs • Risk of changing from status quo • Procurement timescales • Corporate trust • Business system functionality • Benefits realisation/payback	• Lack of Bureaucracy

	of investment funding • Aligned to best practice		

3.4.4 Partially Outsourced Hybrid

Partially Outsourced Hybrid Advantages	Partially Outsourced Hybrid Disadvantages
• The competitive nature should ensure the most economic price; • A mature market exists; • Shortcomings in service (e.g. management weaknesses, poor customer relations, can be addressed); • Innovation and change can be driven through more efficiently; • Offers the departments maximum flexibility and control.	• Procurement process may be lengthy and costly – 12-18 months minimum and may not be successful; • Efficiency savings will not be realised for 2+ years; • Experience of some current existing outsourcing contracts suggest that internal issues need to be addressed first; • Becoming 'locked in' with a single provider and non-performance of service provider; • Culture may not support partnership working – requires a cultural change; • Loss of control; • TUPE applies; • No internal 'fall back' position; • Potential loss of key people from the Council; • Contract management role is extensive and considerable (dependent on size of contract) and will require quality staff to be undertaken effectively; • Intense public scrutiny; • Unlikely to be efficient and effective due to duplication; • Unlikely to provide a good overall service due to departmental requirements being prioritised over corporate objectives.

Significant Positive Impact	Some Positive Impact	Neutral Impact	Some Negative Impact	Significant Negative Impact
• Internal Customer driven • Business Responsiveness • Support Responsiveness • System Performance • First line fix • General fix	• Business system functionality • Departmental Business Knowledge • Departmental freedom • Proximity • Business transformation skills • Business transformation capacity • Procurement Process Costs • CPA (external agreements) • Risk of changing from status quo • Project Delivery • Procurement timescales • Infrastructure stability • Availability of investment funding	• Access to corporate information • Efficiency • Quality of customer experience • BCP/DR • Quality procedures to determine priority of investment funding • Strategy aligned to business • Aligned to best practice	• Project Management • Value For Money • Procurement Item Costs • Lack of Bureaucracy • Consistent corporate standards • Corporate trust • Strategic vision • Benefits realisation/payback	• Accountability • Consistent Information management • Unified council for customers • Auditibility • Security • One call to all • Interoperability • System standardisation • Unified login

3.4.5 Outsourced Centralised

Outsourced Advantages	Outsourced Disadvantages
• The competitive nature should ensure the most economic price; • A mature market exists;	• Procurement process may be lengthy and costly – 12-18 months minimum and may not be successful; • Efficiency savings will not be realised for 2+ years;

• Shortcomings in service (e.g. management weaknesses, poor customer relations, can be addressed); • Innovation and change can be driven through more efficiently. • More likely to be efficient and provide effective service (as duplication less likely).	• Experience of some current existing outsourcing contracts suggest that internal issues need to be addressed first; • Becoming 'locked in' with a single provider and non-performance of service provider; • Culture may not support partnership working – requires a cultural change; • Loss of control; • TUPE applies; • No internal 'fall back' position; • Potential loss of key people from the Council; • Contract management role is extensive and considerable (dependent on size of contract) and will require quality staff to be undertaken effectively; • Intense public scrutiny; • Requires culture of collaborative working between entire council and contractors; • Requires acceptance of centralised control and management.

Significant Positive Impact	Some Positive Impact	Neutral Impact	Some Negative Impact	Significant Negative Impact
• Accountability • Project Management • Value For Money • First line fix • One call to all • BCP/DR • Availability of investment funding	• Consistent Information management • Business transformation skills • Efficiency • Unified council for customers • Aligned to best practice • Security • Project Delivery • System Performance • Infrastructure stability • Interoperability • System standardisation • Unified login • Strategic vision • Quality procedures to determine priority of investment funding • Consistent corporate standards • Quality of customer experience • Strategy aligned to business • Benefits realisation/payback	• Access to corporate information • Business transformation capacity • Procurement Item Costs • CPA (external agreements) • Auditibility • Internal Customer driven • Procurement timescales • Lack of Bureaucracy	• Business system functionality • Procurement Process Costs	• Departmental Business Knowledge • Departmental freedom • Proximity • Risk of changing from status quo • Business Responsiveness • Support Responsiveness • General fix • Corporate trust

3.4.6 Outsourced Hybrid

Centralised Advantages	Centralised Disadvantages
• A mature market exists; • Shortcomings in service (e.g. management weaknesses, poor customer relations, can be addressed); • Innovation and change can be driven through more efficiently;	• Procurement process may be lengthy and costly – 12-18 months minimum and may not be successful; • Efficiency savings will not be realised for 2+ years; • Experience of some current existing outsourcing contracts suggest that internal issues need to be addressed first;

|	
• Offers departments access to customised services.	• Becoming 'locked in' with a single provider and non-performance of service provider; • Culture may not support partnership working – requires a cultural change; • Loss of control; • TUPE applies; • No internal 'fall back' position; • Potential loss of key people from the Council; • Contract management role is extensive and considerable (dependent on size of contract) and will require quality staff to be undertaken effectively; • Intense public scrutiny; • Unlikely to be efficient and effective due to duplication; • Unlikely to get value for money due to smaller contract sizes; • Unlikely to provide a good overall service due to departmental requirements being prioritised over corporate objectives.

Significant Positive Impact	Some Positive Impact	Neutral Impact	Some Negative Impact	Significant Negative Impact
• Internal Customer driven • System Performance • Procurement timescales • First line fix	• Business system functionality • Business transformation skills • Project Delivery • Lack of Bureaucracy • Availability of investment funding • Benefits realisation/payback	• Departmental Business Knowledge • Accountability • Project Management • Departmental freedom • Proximity • Business transformation capacity • Value For Money • Procurement Process Costs • Efficiency • CPA (external agreements) • Risk of changing from status quo • Business Responsiveness • Support Responsiveness • General fix • One call to all • Infrastructure stability • Strategic vision • Quality procedures to determine priority of investment funding • Consistent corporate standards • Quality of customer experience • Aligned to best practice	• Access to corporate information • Consistent Information management • Unified council for customers • Security • Interoperability • BCP/DR • System standardisation • Unified login • Strategy aligned to business • Procurement Item Costs	• Auditibility • Corporate trust

3.5   Alignment Scoring

In order to evaluate which of the models most closely align with the weighted criteria, a point score was given to each model depending upon whether the model would have a positive or negative impact on each individual criterion. The greater the impact the model has against each criterion, the higher the score given. Details of how the points where allocated are detailed below.

In interpreting the outputs it must be remembered that the allocation of points scores is a judgemental issue, and therefore this technique should only be used to differentiate between stronger and weaker solutions rather than to recommend a specific solution. This is in line with common practice for the appraisal of options.

Organisational Model Impact Against Criterion	Points Assigned
Significant positive impact	3
Some positive impact	1
Neutral Impact	0
Some negative impact	-1
Significant negative impact	-3
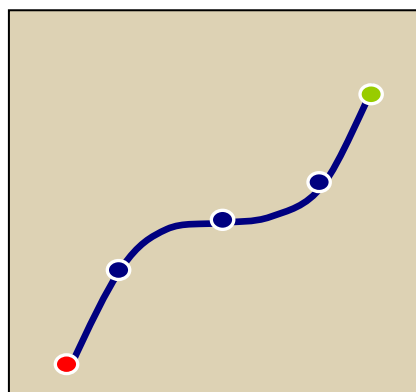
The overall table of alignment scores is presented in the following table.

Criteria	In House Central	In House Hybrid	Partial Central	Partial Hybrid	Outsourced Central	Outsourced Hybrid
Departmental Business Knowledge	-1	3	-1	1	-3	0
Access to corporate information	3	1	1	0	0	-1
Accountability	3	0	0	-3	3	0
Business system functionality	-1	1	-1	1	-1	1
Project Management	1	-1	1	-1	3	0
Departmental freedom	-1	1	-1	1	-3	0
Consistent Information management	3	0	0	-3	1	-1
Proximity of IT function	0	3	-1	1	-3	0
Business transformation skills	-1	-1	1	1	1	1
Business transformation capacity	-1	-1	1	1	0	0
Value For Money	3	0	1	-1	3	0
Procurement Item Costs	1	-1	1	-1	0	-1
Procurement Process Costs	-1	1	-1	1	-1	0
Efficiency	1	-1	1	0	1	0
Unified council for customers	1	-1	0	-3	1	-1
Quality of customer experience	1	0	1	0	1	0
CPA (external agreements)	0	0	0	0	0	0
Aligned to best practice	1	0	1	0	1	0
Auditibility	3	-1	0	-3	0	-3
Risk of changing from status quo	0	3	-1	1	-3	0
Security	3	0	0	-3	1	-1
Internal Customer driven	-1	1	0	3	0	3
Project Delivery	-1	-1	1	1	1	1
Business Responsiveness	-3	0	0	3	-3	0
Support Responsiveness	0	3	0	3	-3	0
System Performance	-1	0	1	3	1	3
Procurement timescales	-1	1	-1	1	0	3
First line fix	1	1	3	3	3	3
General fix	0	3	0	3	-3	0
One call to all	1	-1	0	-3	3	0
Infrastructure stability	1	0	3	1	1	0
Interoperability	1	-1	0	-3	1	-1
Lack of Bureaucracy	-1	0	-3	-1	0	1
BCP/DR	1	-1	3	0	3	-1

System standardisation	3	0	0	-3	1	-1
Unified login	3	-1	0	-3	1	-1
Strategic vision	1	-3	1	-1	1	0
Availability of investment funding	-1	-1	1	1	3	1
Quality procedures to determine priority of investment funding	-1	-3	0	0	1	0
Consistent corporate standards	3	1	0	-1	1	0
Strategy aligned to business	3	0	3	0	1	-1
Corporate trust	0	0	-1	-1	-3	-3
Benefits realisation/payback	-1	-1	0	0	1	1

Each of the resultant alignment scores were multiplied by the normalised priority scores for the correspondent criterion to give a prioritised alignment score. The higher the total score, the more closely aligned the model is with organisational priorities. The model that achieves the highest points will therefore be the one which is most aligned to the overall priorities of the Council.

Criteria	In House Central	In House Hybrid	Partial Central	Partial Hybrid	Outsourced Central	Outsourced Hybrid
Departmental Business Knowledge	-100	300	-100	100	-300	0
Access to corporate information	138	46	46	0	0	-46
Accountability	189	0	0	-189	189	0
Business system functionality	-100	100	-100	100	-100	100
Project Management	64	-64	64	-64	192	0
Departmental freedom	-58	58	-58	58	-174	0
Consistent Information management	258	0	0	-258	86	-86
Proximity of IT function	0	51	-17	17	-51	0
Business transformation skills	-36	-36	36	36	36	36
Business transformation capacity	-28	-28	28	28	0	0
Value For Money	282	0	94	-94	282	0
Procurement Item Costs	46	-46	46	-46	0	-46
Procurement Process Costs	-26	26	-26	26	-26	0
Efficiency	87	-87	87	0	87	0
Unified council for customers	86	-86	0	-258	86	-86
Quality of customer experience	99	0	99	0	99	0
CPA (external agreements)	0	0	0	0	0	0
Aligned to best practice	45	0	45	0	45	0
Auditibility	156	-52	0	-156	0	-156
Risk of changing from status quo	0	15	-5	5	-15	0
Security	258	0	0	-258	86	-86
Internal Customer driven	-61	61	0	183	0	183
Project Delivery	-50	-50	50	50	50	50
Business Responsiveness	-159	0	0	159	-159	0
Support Responsiveness	0	246	0	246	-246	0
System Performance	-74	0	74	222	74	222
Procurement timescales	-37	37	-37	37	0	111
First line fix	55	55	165	165	165	165
General fix	0	126	0	126	-126	0
One call to all	49	-49	0	-147	147	0
Infrastructure stability	75	0	225	75	75	0
Interoperability	49	-49	0	-147	49	-49
Lack of Bureaucracy	-48	0	-144	-48	0	48
BCP/DR	81	-81	243	0	243	-81
System standardisation	69	0	0	-69	23	-23
Unified login	114	-38	0	-114	38	-38
Strategic vision	61	-183	61	-61	61	0
Availability of investment funding	-61	-61	61	61	183	61
Quality procedures to determine priority of investment funding	-53	-159	0	0	53	0
Consistent corporate standards	135	45	0	-45	45	0
Strategy aligned to business	138	0	138	0	46	-46
Corporate trust	0	0	-44	-44	-132	-132
Benefits realisation/payback	-32	-32	0	0	32	32
TOTAL	**1611**	**65**	**1031**	**-304**	**1143**	**133**

3.5.1   Priority Alignment Scores Summary

Model	Score	Significant Alignment to Priorities (>=100)	Significant Misalignment to Priorities (<=-100)
In House Centralised	1611	• Access to corporate information • Accountability • Consistent Information management • Value For Money • Auditibility • Security • Unified login • Consistent corporate standards • Strategy aligned to business	• Departmental Business Knowledge • Business system functionality • Business Responsiveness
In House Hybrid	65	• Departmental Business Knowledge • Business system functionality • Support Responsiveness • General fix	• Strategic vision • Quality procedures to determine priority of investment funding
Partially Outsourced Centralised	1031	• First line fix • Infrastructure stability • BCP/DR • Strategy aligned to business	• Departmental Business Knowledge • Business System Functionality • Lack of Bureaucracy
Partially Outsourced Hybrid	-304	• Departmental Business Knowledge • Business system functionality • Internal Customer driven • Business Responsiveness • Support Responsiveness • System Performance • First line fix • General fix	• Accountability • Consistent Information management • Unified council for customers • Auditibility • Security • One call to all • Interoperability • Unified login
Outsourced Centralised	1143	• Accountability • Project Management • Value For Money • First line fix • One call to all • BCP/DR • Availability of investment funding	• Departmental Business Knowledge • Business system functionality • Departmental freedom • Business Responsiveness • Support Responsiveness • General fix • Corporate trust
Outsourced Hybrid	133	• Business system functionality • Internal Customer driven • System Performance • Procurement timescales • First line fix	• Auditibility • Corporate trust

3.6   Priority Alignment Scoring Conclusions

Following the analysis of the organisational priorities given by the Resource Directors, it is clear that the major division between suitable models occurs between Central and Hybrid models. Each of the centralised models scored significantly higher than that of the highest hybrid model indicating that there is a strong requirement to move away from the current hybrid organisational structure currently operating at the Council in order to meet its requirements. This is in line with our view of the direction of travel in the IT sector, where consolidation is used to drive out economies of scale and higher service quality through common procedures and processes.

Whilst any numerical analysis of this nature is inappropriate as a sole basis for decision making, it does give useful support to our judgemental view that the best of the operating models currently being debated are more suitable for the organisation than the existing structure.

3.7 Evaluation of Centralised Models

3.7.1 In-House Centralised

Factor	Result
Priority Alignment Score	1611
Priority Alignment Position	1st
Critical factors positively addressed	• Value For Money • Quality of customer experience • Consistent Information management • Security • Unified council for customers • BCP/DR • Infrastructure stability • Strategic vision
Other significant factors positively addressed	• Access to corporate information • Accountability • Auditibility • Consistent corporate standards • Strategy aligned with business • Aligned to best practice
Critical factors not positively addressed	• Business system functionality (extremely critical) • Departmental Business Knowledge (extremely critical) • Support Responsiveness • Project Management
Other significant factors not positively addressed	• Business responsiveness

The In-House centralised model scored highly against priority criteria, and addresses some of the critical issues raised by the departments. By consolidating IT functions, duplication of effort is reduced and economies of scale can be obtained, thereby providing value for money. A centrally managed function will be more straightforward to administer and use, as well as reduce the likelihood of security breaches. Consolidation will also result in improved collaboration and sharing of information, thereby improving overall customer experience.

However, this model fails to address the two single most important criteria specified; Departmental business knowledge and Business System Functionality, as well as several other critical factors. Centralisation would affect departmental ability to react to individual requirements when and where necessary, as departmental requests conflict with corporate priorities.

3.7.2 Partially Outsourced Centralised

Factor	Result
Priority Alignment Score	1031
Priority Alignment Position	3rd
Critical factors positively addressed	• Value For Money • Quality of customer experience • BCP/DR • Infrastructure stability • Project Management • Efficiency • Strategic vision
Other significant factors positively addressed	• First line fix • Strategy aligned to business
Critical factors not positively addressed	• Business system functionality • Departmental Business Knowledge • Consistent Information management • Security

Factor	Result
	• Unified council for customers
	• Support Responsiveness
	• One call to all
Other significant factors not positively addressed	• Lack of Bureaucracy

The Partially Outsourced organisational model ranked most highly of all the possibilities using the priority alignment scoring approach, suggesting it addresses the majority of the Council's requirements. By selectively selecting outsourcing contractors, the Council can gain access to crucial skills that will enable it to deliver improved services to its customers, whilst maintaining local staff that are closer to the organisation. A recent SOCITM report supports this conclusion and shows that on average, selective outsourcing can improve user satisfaction. However, fully centralising will result in a loss of departmental knowledge and may reduce organisational agility and flexibility as contracts are adhered to.   Splitting responsibilities may also result in divergent standards and increasing bureaucracy.

3.7.3   Outsourced Centralised

Factor	Result
Priority Alignment Score	1143
Priority Alignment Position	2nd
Critical factors positively addressed	• Value For Money
	• Consistent Information management
	• Security
	• Unified council for customers
	• BCP/DR
	• Infrastructure stability
	• Project Management
	• Efficiency
	• Strategic vision
	• Quality of customer experience
	• One call to all
Other significant factors positively addressed	• Accountability
	• First line fix
Critical factors not positively addressed	• Business system functionality
	• Departmental Business Knowledge
	• Support Responsiveness
Other significant factors not positively addressed	• Departmental Freedom
	• Business Responsiveness
	• General fix
	• Corporate trust

By outsourcing, the Council will gain access to new skill sets and increased capacity to deliver cutting edge solutions. Centrally administering the contractors will enable the Council to dictate consistent standards, service levels and obtain best possible prices through consolidation. This model is therefore able to satisfy the majority of critical factors. However, a fully outsourced provider will have significantly reduced understanding of departments' individual needs, which will also affect their ability to support legacy applications.

As previously described, attaining improvements through outsourcing requires overcoming a number of significant obstacles, and benefits accrue over longer time periods. Moreover, a review of associated literature suggests that outsourcing without first addressing underlying organisational issues can result in problems being moved rather than being resolved. In addition, a recent SOCITM study has suggested that customer satisfaction scores can actually be decreased by moving to a fully outsourced model. It is therefore not suggested that the Council consider moving to a fully outsourced centralised model at this present time.

3.8   Centralised Model Conclusions

Although Centralisation is the preferred administrative model, it is clear that none of the proposed models will fully meet all the requirements of the Council. In order to develop a model that will be suitable for the Council's unique needs, the In-House Centralised and Partially Outsourced Centralised options could be expanded and adapted to fit. All critical factors that are not positively addressed by these models must be mitigated, and high priority scoring criteria must also be considered.

4 DEVELOPMENT OF A 'PREFERRED' MODEL

4.1   The logic behind a 'preferred' model

The following logic has been used to identify a preferred model:

- The preferred model will be based on a centralised model modified to better suit the needs of the Council.
- All ICT should be managed centrally but with some functions delivered and located in departments.
- There should be discrete ICT teams centrally and within each Department to ensure operational excellence, business knowledge and responsiveness, identity and visibility.
- Strong Account Managers will be required to manage the relationship between Departments and Central ICT. This person should be located within Departments and have a reporting line to both central ICT and their department.
- Business analysts should sit in Departments but will be used under a project structure managed centrally.
- Departmental application specialists will remain in Departments, but must work closely with the central helpdesk, which must be the first point of contact from all support calls.
- Some new Central ICT teams will be required to provide activities that will include strategy, procurement and programme management.

4.2   Key features of the emerging 'preferred' model

The following diagram illustrates the model developed so far:
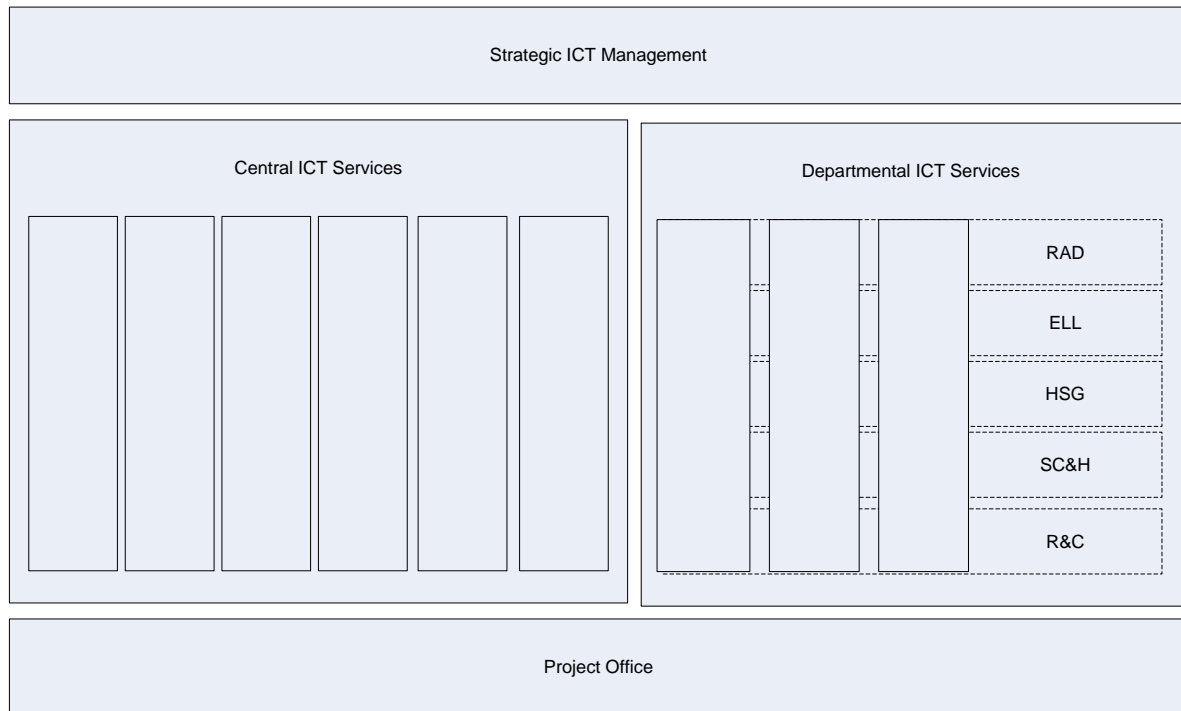
In addition we may also need to add a contract management capability to outsource specific ICT functions. In terms of the above diagram, this would mean adding a thin box over the top of the outsourced functions, although this has not been shown for clarity.   No recommendation is made as to the desirability of increased outsourcing at this stage - this would need to be decided through a market tested business case, but the model is designed to be sufficiently flexible that this can be accommodated later if required.

The following are key features of the new recommended model compared to the existing ICT delivery arrangements:

- A completely new ICT function will be delivered, from both a centralised and departmental perspective.   Although the new arrangements focus on driving efficiency savings through centralisation, the existing ICT function should not simply transfer intact to a new structure.

- A centralised strategy development and management function will be created which will cover all activities both centralised and departmental. This function will ensure ICT direction is fully aligned with departmental and corporate business requirements, but also that these business needs are satisfied using the right IT, converging platforms and standards to drive down costs.

- Redesign of senior roles: separation of responsibility for strategic thinking and design from operations and infrastructure.   Customer contact and change management for new arrangements also likely to be separate roles.

- Creation of a formal design authority / technical authority role within the strategy function to perform the research and analysis required to choose the right technology for the Council, and put the right plans in place to make sure the technology chosen can be maintained and supported at a high performance level but whilst controlling costs.

- Development of an improved ICT strategy which will act as a 3-5 year masterplan for the ICT within the Council.

- Centralisation of common ICT processes, including helpdesk, infrastructure management and BCP.

- Formalisation of Departmental ICT teams with dual reporting to their Department and to central ICT.

- Formalisation of a central procurement function which will seek to drive economies of scale to secure better purchase prices for ICT equipment. This function will need to operate rapidly to acquire equipment for requisitioners.

- Completely new ICT recharge system working on the following principles:

  o Single charging regime
  o Simplified charging structure
  o Transparency of costs
  o Consideration as to whether charges should be 'Above the line'
  o Perceived as 'fair' by the majority of user budget holders

- Centralised contract management with the right expert skills to create and maintain value with the private sector.

- Centralised project management function to create and manage organisation wide projects, but with a mixture of departmental and central ICT staff performing the project tasks.

- Centralised capacity management and resources management function to prioritise and staff both transformation and maintenance projects.

- New performance regime based on clear performance metrics and linked to recharge regime, and reporting meetings back to key user representatives.

- Selective use of outsourcing in particular non-strategic areas where there is a proven cost case. The decision to outsource or not should be taken through a CCT type decision comparing the respective costs of internal and external provision.

- Design of a new ICT information dissemination approach to recognise the fact that ICT staff are split between Central ICT and Departmental ICT. This need not be particularly sophisticated in terms of technology but needs to keep everyone up to speed about ongoing projects or ICT issues across the organisation.