
REPORT TO: Organisation Improvement & Environment Commission

DATE: 14 January 2009

DEPARTMENT: Resources

REPORTING OFFICER: *Head of ITD*
(Steve Metcalfe)

SUBJECT: **DRAFT GENERAL FUND BUDGET 2009/10**
Information Technology & Development

WARD/S AFFECTED: None

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

- 1.1 To provide the Cabinet Member (Resources) and OI&E Commission with the financial information for the Information & Technology (ITD) Unit on:
- The revised estimates for 2008/9
 - The draft revenue estimates for 2009/10
 - Projections for 2010/11 & 2011/12

2.0 RECOMMENDATIONS

The Commission is invited to:

- 2.1 Note the latest position shown in the revised estimates for 2008/9
- 2.2 Consider the draft 2009/10 General Fund Estimates for ITD and make an appropriate recommendation to the Cabinet
- 2.3 Note the projections for 2010/11 & 2011/12

3.0 ALTERNATIVE OPTION CONSIDERED AND RECOMMENDED FOR REJECTION

3.1 None, it is a requirement of the Council's Financial Procedure Rules for a budget to be recommended to the Cabinet Member and Cabinet.

4.0 THE REPORT

4.1 As a result of the corporate re-structure in April 2005, the former Access to Services (AtS) and IS&T business units have been combined into a single unit called Information Technology & Development (ITD). The opportunity has been taken to merge the former AtS and IS&T cost centres, and present them as unified accounts from OE 2008/9. Because the basis of recharging the GIS account was radically different, it has not been possible to incorporate this account as quickly, but the former GIS account has been unified from OE 2009/10. The former AtS Reserve Account, has also now been amalgamated with the former Computer Reserve Account, to create the ITD Development Earmarked Reserve.

4.2 The annual amount credited to the former AtS General Fund Reserve Account is £450,000 and the amount credited to the former Computer Reserve is £269,950. The total annual amount credited to the new ITD Development Reserve is therefore £719,950. This amount is reduced to £700,000 in OE 2009/10 as ITD's contribution to the Council's 3% annual efficiency saving target.

4.3 This report will cover the revenue estimates for the ITD cost centre. On Appendix A to this report, the ITD General Fund account appears on page G1 and variation statement on page G2. The ITD Rechargeable accounts appear on page G3, with the variation statement on page G4.

5.0 COMPUTER INVESTMENT SPENDING AND INTERNAL CAPITAL CHARGES

5.1 The budget for this business unit contains spending on computer investment (software related costs) previously treated as capital expenditure financed from revenue in the Treasury Management budget. This expenditure was previously written off as deferred charges to ITD matched by a central transfer from the Capital Adjustment Account in the Financial Management Section of the Resources portfolio. Following a change to accounting rules from 1 April this expenditure is now treated as revenue expenditure directly in ITD budget (included in supplies and services on page G3 of Appendix A) and recharged to departments. As this expenditure is financed from the ITD Development Reserve, a transfer from reserves is included in the ITD General Fund budget (see page G1 of Appendix A) to match the recharges to services. Please note that the previous years actual and OE have been restated in line with accounting rules.

5.2 Computer Investment spending on hardware costing over £5,000 is still

included in the capital programme and shown as capital expenditure financed from revenue in the Treasury Management Estimates. Depreciation charges (capital charges) on these assets are charged to the ITD budget and recharged on to the service using the equipment. Where the asset is financed from IEG grant there is a corresponding transfer from the Capital Adjustment Account to match the depreciation charge. This transfer is included in internal capital recharges (see page G3 of Appendix A) and there is no recharge required to departments.

- 5.3 Computer Investment spending on software from IEG capital grant is now treated as Revenue Expenditure Funded from Capital under Statute. The expenditure is still included in the capital programme but is now shown in the ITD budget as a direct charge to supplies and services. The capital grant used to finance this expenditure is now transferred to revenue and shown in internal capital recharges. There is no net recharge required to departments.

6.0 VARIATIONS – GENERAL FUND ACCOUNT

- 6.1 The annual amount transferred to the ITD Development Reserve is reduced by staff and other costs (included within the ITD Rechargeable accounts as seen on page G4 of Appendix A).
- 6.2 A reduction in the phasing of computer investment is shown and this has been explained in para 5.1 above.
- 6.3 A reduction of £325,000 in spending from the ITD Development Reserve is reported between OE 2008/9 and RE 2008/9. This is partly a result of project slippage due to a combination of high staff turnover in ITD, a greater than anticipated requirement to support departmental projects and for day-to-day technical support and unanticipated new requirements (e.g. Government Connect). In addition, the costs allocated to the implementation of a corporate electronic document management system, which were originally to be funded from the Development Reserve, will now be met from the ITD Capital Reserve.
- 6.4 The contribution to reserves towards funding of the early retirement of post HRU3, was agreed by HR Committee on 8 October 2008 and will be met from underspends within the ITD Rechargeable Account (see page G4).
- 6.5 The £5000 shown on the Access to Services line on page G1 relates to the support of Mashamshire Community Office.

7.0 REVISED ESTIMATE 2008/9 – RECHARGEABLE ACCOUNT

- 7.1 A summary of the major variations from OE 2008/9 to RE 2008/9 is provided on page G4 of Appendix A. Variations which are not explained elsewhere in this report are:

		£,000
Application Software Support	One-off savings arising from system support costs being funded from within Depts.	-26
	Contingency not utilised.	-11
Terminals Hardware Maint'ce	Anticipated new document management scanners no longer required.	-14
	Budget duplication due to change in system provider.	-7

7.2 The drawdown from ITD business unit reserves is included within Miscellaneous Financial Items (MFI) in the DR Financial Management Budget.

8.0 ORIGINAL ESTIMATE 2009/10 – RECHARGEABLE ACCOUNT

8.1 A summary of the major variations from OE 2008/9 to OE 2009/10 is provided on page G4 of Appendix A. The main variations can be summarised as follows:

		£,000
Application Software Support	Net effect of several minor variances in software support contracts.	12
Terminals Hardware Maintenance	Cancelled contracts for server maintenance	-15
	Anticipated new document management scanners no longer required.	-9
	Budget duplication due to change in system provider.	-7

9.0 EFFICIENCY SAVINGS

9.1 The ITD Business Unit has a cash efficiency savings target of £19,000.

9.2 This has been achieved by reducing the annual contribution to the ITD Development Reserve by £19,950, as described in para 4.2

9.3 In line with the Medium Term Financial Strategy there is no longer a target set for non-cash efficiencies.

10.0 OPTIONS FOR DISCRETIONARY GROWTH

10.1 There are no requests for discretionary growth for 2009/10

11.0 FINANCIAL RISK MANAGEMENT

- 11.1 The Council has an ambitious programme for developing & improving access to its services using technology and has already made some substantial progress in implementing some of the fundamental systems required to support it, such as the CRM, website, GIS & Local Land & Property Gazetteer, as well as increasing the staffing in ITD to support these developments. The last major system, which has not yet been developed is electronic document & records management (EDRMS). The Council is now on the brink of being able to use these developments to make real and lasting improvements to its service delivery and the EDRMS will substantially add value to those improvements. Having made this investment in creating these systems, there is a risk that the Council will not provide sufficient funding in the future to maintain and develop them in the future. This would also create a significant risk of not being able to address the new transformational change and shared services agenda which the Government is now promoting heavily.
- 11.2 In particular, a significant proportion of the £450,000 per annum which the Council credits to the ITD Development Reserve (See Para. 4.2) is now committed to funding annual revenue costs (staff and system support) and it is likely that it will be fully committed to funding revenue costs within the next two years. This will mean that the only new funds being made available for new ICT developments will be the “traditional” £269,950 per annum which has remained unchanged for approximately 12-15 years and which is, in fact, to be reduced to £250,000 in 2009/10 as the Section’s contribution to the Council’s efficiency target.
- 11.3 The ITD Development Reserve is predicted to stand at £1.69m at the end of 2008/9. This reserve is used for four basic purposes:
1. To fund replacements for major corporate systems e.g. the Council’s financial management system and the new HR/Payroll system.
 2. To build up a reserve to fund upgrades to the basic corporate operating and office systems (i.e. upgrades to Microsoft Windows and Microsoft Office) and to fund the hardware upgrades necessary to ensure that the new systems can run effectively on users’ PCs.
 3. To fund the maintenance of the ICT infrastructure to protect it from viruses, network intrusion etc. and to ensure that the infrastructure is capable of supporting the increasing needs of users throughout the Council.
 4. The development of the ICT infrastructure to improve the quality and resilience of the network and the applications which are used throughout the Council.

Almost all of these purposes involve individual projects which require investments in excess of £100,000 each, which could not be accommodated with the annual budget cycles. Although the Council may

have some discretion over the actual timing of these investments, failure to make the investments will fatally compromise the Council's ability to deliver services effectively and the longer they are left, the less discretion the Council will have. For example, the versions of Microsoft Office and Windows which the Council is running are relatively old. In the case of the Office suite, in particular, we are beginning to find that new business systems cannot integrate with the version we run and therefore the need to upgrade is becoming imperative. These upgrades are not only major pieces of work for the ITD Section, but will also involve costs of around £200,000 each in additional licensing and hardware upgrades etc.

11.4 The current ICT Strategy expires at the end of this year and the development of new Strategy that will set out in detail the likely investment needs for the next 3-5 years will be prepared shortly. Even so, it is already clear there are a number of major investments which the Council will have to make in order to just maintain its current infrastructure, including:

- Upgrades to MS Office & Windows
- Replacement of Website Content Management System
- Replacement/Upgrade of network switching
- Telephony system upgrades & replacement (including a new switchboard)
- Migration of further in-house systems to virtual server environment

11.5 In addition, there will be a requirement in the future to fund major enhancements to the existing infrastructure and corporate systems to meet increasingly stringent government requirements and to improve working practices and efficiency including:

- Home & remote working
- Further development of the Council's website
- Electronic document management
- Information & data security
- System integration
- Improved integration & data sharing with partners

11.6 It is estimated that the projects outlined in paras. 10.4 and 10.5 above are likely to require an investment of over £1m. In addition to any further unforeseen requirements, the ITD Development Reserve must also accumulate sufficient finance to fund the replacement of major corporate systems, in addition to those outlined above, including:

- The Financial Management system.
- The HR/Payroll system.
- The Local land & Property Gazetteer.
- The corporate GIS system.

11.7 Whilst the relatively healthy state of the current ITD Development Reserve means that the short/medium term risks are low, there is an increased risk in the longer term that funding for investment in new technology will become insufficient. This risk would be greatly increased if a significant sum were to be removed from the current reserve in order to fund current budget deficits. The existence of this reserve does naturally create a temptation to use it to provide a short-term fix to current financial problems, but it also provides a significant opportunity to invest in new systems and new ways of working which can generate significant efficiencies and reduce future ongoing costs and improve the Council's ability to respond to the very difficult economic conditions which lie ahead.

12.0 PROJECTIONS 2010/11 & 2011/12

12.1 We are now required, under the Government's new Prudential Code and also for the Comprehensive Performance Assessment, to produce projections for the next three years. These projections are only a broad indication of likely net expenditure levels and have been compiled in accordance with the guidance and parameters set.

13.0 USE OF RESERVES

13.1 A report on the proposed use of Business Unit Reserves was submitted to Council on 17th September 2008. A summary of the projected use of the ITD Development Earmarked Reserve is provided in Appendix B. This was reviewed at the budget meeting with the Director of Resources and the Head of Financial Management and the levels were noted and deemed to be adequate.

14.0 SCRUTINY

14.1 The Organisation Improvement & Environment Scrutiny Commission will consider this report on 14 January 2009.

Background Papers: None

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