

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE

30th March 2006

EFFICIENT GOVERNMENT STAGE 2 ICT BID

Report by Depute Chief Executive / Executive Director of Corporate Support

1. PURPOSE OF REPORT

- 1.1 To advise CMT of progress in respect of the Council's Bid to Stage 2 of the Scottish Executive's Efficient Government Fund (EGF) for an ICT related project, and to seek approval to submit a detailed Bid to the Scottish Executive on behalf of the four project partners.

2. BACKGROUND

- 2.1 The Scottish Executive's Efficient Government Fund seeks to "*stimulate a sustainably more efficient public sector and to demonstrate the reallocation of resources for better front line use*".
- 2.2 Public sector bodies are invited to submit multi-partner Bids to the Efficient Government Fund for projects which are projected to deliver benefits in the following areas ;
- . Procurement
 - . Transactional Services
 - . Internal Efficiencies
 - . Other Efficiency Savings
 - . Support Service Reform
 - . Productive Time
 - . Policy Funding and Regulation
- 2.3 For approved projects, the Efficient Government Fund will contribute between 40% and 75% of the project costs. Bidders are, therefore, expected to meet between 25% and 60% of the costs for each project from within their own resources.
- 2.4 At the 8th February 2005 meeting of Policy and Resources Committee, Members noted that a Stage 1 Bid had been submitted to the 1st Tranche of the 1st Round of the Fund on behalf of East Ayrshire Council, North Ayrshire Council, South Ayrshire Council and NHS Ayrshire & Arran, for an information and communications technology (ICT) related project, and that in this respect East Ayrshire Council was acting as Lead Bidder.
- 2.5 In May 2005, the Minister for Finance and Public Sector Reform approved the partners Stage 1 Bid for progression to Stage 2 of the EGF process, with the proviso that a detailed Stage 2 Bid be submitted to the Scottish Executive by 31st March 2006.

- 2.6** The Scottish Executive commended the partners, led by East Ayrshire Council, on the quality and presentation of the Stage 1 Bid, and provided positive encouragement and guidance to the partners in respect of the development of the associated Stage 2 Bid.
- 2.7** Following a tendering exercise, the partners subsequently engaged PriceWaterhouseCoopers (PWC) as consultants to assist in the preparation of the detailed Stage 2 Bid.
- 2.8** The Scottish Executive has subsequently decided to undertake a consultation exercise on a potential re-focusing of the EGF, and defined five separate EGF streams of Procurement, Revenue Collection, ICT Infrastructure, Integrated Support Services, and Staff Training for future investment. As the Scottish Executive has yet to clarify its position in respect of the ICT Infrastructure stream, it is unclear at this stage whether the partners Bid will now secure Scottish Executive support, nevertheless the potential of support remains and on this basis it is recommended that it should be submitted in accordance with the original EGF guidance.

3. OUTLINE OF THE BID PROPOSAL

- 3.1** The main element of the original Stage 1 Bid related to a proposal to bridge East, North and South Ayrshire Councils and NHS Ayrshire & Arran Wide Area Data & Voice Network (WAN) infrastructures into one “virtual” Ayrshire-wide Public Service Wide Area Data Network (WAN). In addition, it was proposed to develop added value shared facilities in the form of a Shared Correspondence Distribution Centre (SCDC), and a shared ICT Disaster Recovery Facility, as well as a collaborative approach to the procurement of associated data and voice services.
- 3.1.1** The Stage 1 Bid included estimated financial projections for six years, up to and including 2009/10, and identified an overall Project Cost of £ 1.825m, with associated estimated projected financial benefits of £ 3.6m shared between the four Partners.
- 3.2** The project partners, together with PWC, have now further examined the feasibility of, and further developed, the original proposal into a detailed Stage 2 Bid document. During this process the partners have consulted on the practicality of the original proposal, and on the assumptions made at the time of submitting the Stage 1 Bid to the Scottish Executive. As a consequence of this process, the detailed Stage 2 proposal, whilst fully retaining the original concept, now provides for a change of focus on some elements of the original Bid and, where necessary, removes certain other elements from the Bid. The elements of the original Stage 1 Bid which have now been removed are detailed as follows ;
- 3.3 Consolidation of Wide Area Data / Voice Network**
- 3.3.1** Following detailed discussion, NHS advise that the data / voice infrastructure of the local Health Board, is managed on a national basis, and new planned national initiatives in this area preclude NHSA&A’s participation at a local level in the proposed project.

3.3.2 Given NHSA&A's position, and as the three Councils are not co-terminus, nor is there a geographical overlap between the Council areas, consequently there is now no potential to consolidate / rationalise data/voice networks between the partner bodies.

3.3.3 Hence, this element of the proposal has now been removed from the detailed Stage 2 Bid.

3.4 Collaborative Procurement

3.4.1 Following detailed discussion, NHSA&A now advise that their data / voice services are procured through, and are the subject of, national (UK) framework agreements / contracts, and as such they are precluded in respect of their local participation in the collaborative procurement element of the proposed project.

3.4.2 Given NHSA&A's position, and as each of the three Councils are currently in the process of implementing Electronic Purchasing systems, and the issue of collaborative national procurement is being addressed by a separate EGF Bid led by the Scotland Excell partnership, this element of the proposed project has now been removed from the detailed Stage 2 Bid.

3.5 The net effect of these changes to the content and structure of the Bid is that a considerably increased level of savings is now projected over the six year project period.

4. DETAILED ELEMENTS OF THE STAGE 2 BID PROPOSAL

4.1 In summary, the main elements of the project proposal as contained within the Stage 2 Bid document are as detailed as follows ;

4.2 Shared Correspondence Distribution Centre (SCDC)

4.2.1 The development and implementation of the SCDC represents the largest element of the proposed project and consequently has the potential to provide the greatest financial benefit to the Council. For the purposes of the Stage 2 Bid and for the development of the associated cost / benefit analysis, it is proposed that the SCDC will concentrate initially on the provision of a service for incoming Revenues and Benefits related correspondence, and Invoices, and will utilise re-designed standard forms which will be common across the three Councils.

4.2.2 It is proposed that the shared SCDC facility will receive all incoming paper based correspondence, provide for the verification of accompanying evidence, scanning and automatic indexing of submissions, handling of exceptions, management and return of incomplete correspondence and the electronic transfer of relevant data to existing back-office systems.

4.2.3 It is anticipated that benefits will be accrued through the development of automated processes for correspondence handling resulting in improved productivity by the elimination of >80% of manual data entry.

- 4.2.4 It is proposed that the SCDC will utilise the existing infrastructures of Local Offices / Back Offices / Back Office IT systems and Back Office staff currently in existence within the three Ayrshire Councils, and it is anticipated that it will require an associated staffing level of 19 FTE staff recruited from the project partners on a pro-rata basis which will be the subject of further discussion and agreement between the partners.
- 4.2.5 It is anticipated that the SCDC concept has the potential to be expanded to incorporate Housing and Social Services incoming correspondence thereby accruing potentially increased future financial benefits.
- 4.2.6 It is proposed that the initial focus of the SCDC should be in the areas of Revenues and Benefits. Consequently, NHSA&A will have no immediate requirement for the services of the proposed facility, however the potential exists for collaboration at some future date with NHSA&A in respect of out-bound correspondence.

4.3 Shared ICT Disaster Recovery (ICT DR)

- 4.3.1 It is proposed that the shared ICT Disaster Recovery facility should be co-located with the proposed SCDC, and be equipped with sufficient IT data storage capacity to enable the nightly networked back-up of live data from the respective partners back-office systems.
- 4.3.2 Fundamental differences in the ICT architecture within the three Councils means that the facility cannot, at this stage, provide for IT processing capability. Hence, there will be a requirement for a subsequent review of how the partners existing ICT DR provision is integrated with the proposed ICT DR facility and may mean a continued requirement for some degree individual contracted DR provision.
- 4.3.3 It is proposed that the facility will be capable of providing business continuity and transactional capability for IT and Finance staff in the event of a Council or civil emergency.
- 4.4 The location of the shared SCDC / ICT Disaster Recovery facility has yet to be determined, and will be the subject of a detailed location analysis, if and when Scottish Executive approval has been secured for the proposed project.
- 4.5 In respect of NHSA&A, there continues to be a strong commitment towards local participation in joint initiatives such as this proposed project, however confirmation of the NHS national strategy and associated developments preclude further involvement at this stage.
- 4.6 Copies of the Stage 2 Bid document will be made available at the Members Information Point.

5. TIMESCALES

- 5.1 The detailed Stage 2 Bid requires to be submitted to the Scottish Executive by 31st March 2006.

- 5.2** The anticipated project lifecycle is three years from project initiation to maturity, with the project commencing within three months from receipt of Scottish Executive approval to proceed.
- 5.3** The Scottish Executive has indicated that, in respect of all Stage 2 Bids, it is their intention to engage independent consultants to undertake a process of rigorous assessment on their behalf. It is anticipated that this process will involve formal presentations by officers to the Scottish Executive and their consultants, followed by an in-depth interview based review process on the feasibility, practicality, projected timescales, costs and benefits of the proposed project. Only when this process has been completed will the Scottish Executive be in a position to announce the success or otherwise of the partners Bid.

6. FINANCIAL IMPLICATIONS

- 6.1** Further detailed work on the extent of costs and achievable savings is required however the initial anticipated financial projections prepared by PWC for six years from commencement of the project indicate an overall capital project cost of **£0.5m**, with associated projected net annual recurring revenue based savings of between **£0.6m and £0.9m pa** accruing to East Ayrshire Council.
- 6.2** Whilst, the extent of the requirement for matched funding will only be known if and when the Scottish Executive grant approval to proceed, nevertheless it is anticipated that the required match funding contribution range of **25% to 60%** can be readily identified from existing contracted provisions contained within the partners' current Revenue Budgets and Capital Programmes.
- 6.3** In the event of the Bid being successful it will be necessary to re-align staffing resources within the Council's Revenue and Benefits sections and Invoice Processing functions in accordance with the Council's approved arrangements. In this connection account will require to be taken of the need to staff the SCDC as outlined within Section 4.2.4 of the report.

7. POLICY / LEGAL / COMMUNITY PLANNING IMPLICATIONS

- 7.1** The project is consistent with the Council's core value of access and, if approved, will play a major part in delivering social inclusion across East Ayrshire.

8. RECOMMENDATIONS

- 8.1** It is recommended that Members :
- i)** Note the development of the detailed Stage 2 Bid to the EGF.
 - ii)** Notwithstanding the Scottish Executive's position as outlined in para 2.8 above and in light of the Scottish Executive's comments on the quality of the bid presentation, to authorise the Chief Executive to, on behalf of the partners, submit the Stage 2 Bid to the Scottish Executive by 31st March 2006 deadline.

- iii) Remit to Depute Chief Executive / Executive Director of Corporate Support to undertake necessary modifications to the final Bid in response to matters raised by the Scottish Executive should this be required.
- iv) Note that further reports will be presented to Committee at a later date advising Members on the re-focusing of the EGF, once known, and on the outcome of the Bid.
- v) Otherwise note the contents of the report.

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AMR / 1st March 2006

LIST OF BACKGROUND PAPERS

1. Letter of advice dated 2nd September 2004 from Mr. Colin McKay Head of Efficient Government Team, Scottish Executive.

For further information on this Report, please contact Malcolm Roulston,
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