

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE – 7<sup>TH</sup> JUNE 2016**

**REVIEW OF CAPITAL BUDGET PROCESS FOR ICT SERVICES**

**REPORT BY MARK ARMSTRONG, DIRECTOR OF RESOURCES**

**ABSTRACT**

To propose a review of the means by which ICT projects and services are funded

**1. RECOMMENDATION(S)**

It is recommended that the Policy and Resources Committee:

- (i) approves a review of the funding mechanisms for ICT projects and services in light of changes in the supplier market and the types of solution available
- (ii) notes that the outcomes from the review will be factored into the Council's budget setting process for 2017/18 and beyond

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

This report contributes to the following local outcome(s) contained within the Council Plan 2014 – 2017.

- Digital by default –we will implement a digital approach to developing and improving our services and the way we work.
- Mobile first – we will give priority to solutions and innovations that can be delivered through mobile technologies.

**3. BACKGROUND**

Reference is made to the minute of the Capital Projects Monitoring Group dated 17<sup>th</sup> March 2016 in which the Service Manager Information Technology reported some delay in spending monies allocated for the 2015/16 capital programme for IT. The delays reflected the changing market position which are reflected in the Local Government Digital Strategy and move the focus from owning and running technology to accessing services hosted in the cloud where there is a clear business case to do so. The cloud approach is also likely to be a key component of services that are designed in support of Health & Social Care integration and the potential outcomes of increased collaborative working across the public sector.

The growth of cloud based services will require a planned and guaranteed stream of revenue type funding rather than the traditional renewal and repair fund / capital based approach. This will change over time as the Council moves to a hire/pay as you go basis for technology rather than incurring significant upfront spend on software which then needs periodic renewal. A key aspect of this new approach will be to ensure that there is no duplication of funding provision for services such as software licencing and telephony under any new budget arrangements.

**4. CURRENT POSITION**

For the last 10 years the Council has funded large scale investment in IT through the IT Renewal & Repair Fund with each investment project being listed in the Council's Financial Plan.

The current capital spend on ICT projects is based on the financial plan 2014-2019 and contains a capital requirement of £1.86m for ICT projects in 2018/19 including storage, networking and software licencing. This level of investment will be difficult to finance and reflects the worst case scenario for the council. Given this funding challenge and the fact that the supplier market for software has changed significantly it is considered essential that the Council review the funding mechanisms for ICT projects and services for the future. This has the potential to smooth the unpredictable nature of the capital spend and will require a move away from large scale one-off investment to a more pay as you go revenue cost model/

## **5. PROPOSALS**

It is proposed that the Head of Corporate Improvement and Finance and Service Manager IT, in consultation with services, develop a funding mechanism for ICT projects and services that will provide a sustainable future for service delivery.

## **6. FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report but the proposed review will probably mean significant changes to how the Council funds its IT requirements.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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