

Taking control of IT.

Empowering authorities to reduce costs and get more value from IT



2009 is already proving to be a challenging year for local government; authorities who are well versed in achieving increasingly more with increasingly less are now under even greater pressure as they struggle to balance the books. Whilst income related to the property market falls for example, demand on Council services from those who are affected by the recession is increasing.

Technology can offer many solutions, but it is not a silver bullet for solving local government's current challenges. Nonetheless, we do believe that most authorities should be getting significantly more value from their IT capability which can play a positive role in balancing the books. They can use it to maximize the value of the resources at their disposal, reduce costs, help to enable new ways of working and ensure that investments in technology produce sound business benefits. Better use of resources will yield significant benefits; including improved services for citizens, greater internal efficiencies, and an increased capability to work more effectively with multiple agencies.

In this piece, we aim to provide a different perspective on how local government can achieve these objectives, drawing upon our work with a wide range of local authorities. In our experience, the most effective local authorities act corporately and collaboratively to address their IT issues – however in some instances, this is not always the case. Unification of IT capabilities within a Council is crucial, and involves more than simply providing a central service on behalf of other departments. The senior team needs to collaborate effectively to get the most from their IT investments.

What approaches have authorities been taking?

In our view, many authorities need to take stock of their current approaches, and act to gain control. That said, IT departments are *not* out of control, but often the executive team lacks the mechanisms or the culture needed to gain the most from their significant investments. Of the many top-tier authorities that we have worked with, we have observed two key trends that have consumed enormous amounts of management time and effort, and where, in many cases the execution is simply failing to deliver the goods.

A central department often loses touch with its users, while individual departments can find themselves paying for a portion of the corporate service – and wondering what their money actually buys them.

Pulling it together – Centralisation

While most authorities have a central function, providing desktops and phones for example, other departments often have 'IT people'. Sometimes these are brought together into a central department, a move which frequently produces little more than a series of unsatisfactory compromises. A central department often loses touch with its users, while individual departments can find themselves paying for a portion of the corporate service – and wondering what their money actually buys them. In some authorities, centralisation has seen various IT functions being bolted together, but still lacking integration in ways of working. The result? The same duplication that centralisation was meant to remove.

Pushing it out – Outsourcing

Outsourcing still has the potential to lower operational costs and bring in much-needed expertise and capacity to transform. However, the degree to which lower costs are realised varies, and a more significant problem is the failure of many IT enabled transformation projects to deliver change. Around the country, precious financial resources – and valuable management time – are being invested in programmes which are simply not achieving their goals.

A different way – Strengthening from within

Many local authorities continue to think of IT as being about a department, or perhaps the responsibility of a Director for Corporate Resources. One way to really drive IT to deliver real benefits is to define IT effectiveness in broader terms; recognising that effective IT-enabled transformation programmes only deliver when the whole authority moves in the same direction.

It is generally accepted that good IT management is about so much more than delivering 'boxes and wires', but does your department really support IT enabled change? Consider the following: Can it work in partnership with departments to deliver a new system that meets their requirements whilst also having tough conversations about ideas or practices that are not good for your authority? Can it help support the impact of a new system on users, and provide adequate communications and training? When you look at what you spend on IT, are the costs clear and transparent so you know how you could make cuts or where you need further investment?

The second point, related to the first, is that building an effective corporate IT capability is not the job of the outsourcer. The outsourcer is being contracted to provide skills and expertise – but the local authority still needs to provide vital input from its service areas into defining, training and testing systems. The authority will also need to work together corporately to prioritise IT investments and control the way the system is used during its lifetime. Wise authorities will build their internal skills to manage the supplier, from both a commercial and operational perspective. They will use outsourcing as a way of providing aspects of their service in a more cost effective way, and will not simply outsource a problematic service because it has issues they do not understand. We believe it is because many authorities 'outsource the problem' that successful outsourcing stories remain rare in local government.



By acquiring and maintaining overall control of IT, the senior team will be making informed decisions about relative costs and benefits, even in difficult cases.

Taking Control of IT: What practical steps should you be taking?

Here we outline a number of steps that authorities can follow in order to take control of IT. How these steps are implemented will depend on specific needs, but the aim is to create a 'ripple effect' – fostering the right behaviours to drive the right kinds of processes and decisions throughout the authority.

1) Govern IT at the top table

- **Establish a senior IT board** – All major IT projects and decisions, including financial decisions, should go to this board which will report into other executive bodies or have delegated authority for specific areas. Rather than being overly technical, the board should focus on service issues and initiatives, with business cases focused on real issues that meet Council priorities. By acquiring and maintaining overall control of IT, the senior team will be making informed decisions about relative costs and benefits, even in difficult cases. In an outsourced environment, the supplier might be included in the board.
- **Enable but control** – Directors and heads of service do not want to think of IT as a blocker; they need real support to work with their staff to identify appropriate solutions or improve the day-to-service. However, only projects with a sound business case, and which align with the Council's strategy should be given the go-ahead.

- **Position IT in the middle** – Whether their services are outsourced or not, all IT departments are to some extent buyers and sellers of IT services. IT needs to work with its customers (the directorates and users) to understand their needs and buy services from external suppliers. In a non-outsourced environment IT will need to 'glue' together services from multiple suppliers and provide a seamless service back to its customers. In an outsourced environment the client-side function needs to monitor service levels, manage commercial arrangements and quality-assure the supplier's work. Suppliers cannot be relied upon to 'police' themselves.

- **Overcome the organisational structure** – Many IT enabled transformation programmes are driven from outside of IT, often through transformation directorates or change programmes. The staff who run these rely on IT to deliver many elements of their programmes, but often wish they had more control over the IT team. Conversely, the IT team often wish they could play a greater role in strategy and innovation. Lines of responsibility can often become blurred. Nonetheless, in all successful strategies, roles and responsibilities must be clearly defined, along with transparent processes throughout a project's lifecycle.

2) Lay the right financial foundations

- **Communicate IT costs in lay-terms** – Particularly in a way that allows full participation and transparency across the authority. Representing IT costs in terms of 'servers' or 'telephony equipment' does not directly relate back to real services. Instead communicate the costs in terms of issues – such as 'a reduction in call-waiting time for planning services'.
- **Clearly separate 'Keeping the lights on' costs from 'Changing the Council' costs** – Reducing operational costs (without drastically conceding service levels) and maximising investments in transformational activities is an imperative. If IT costs and their types are unclear, cost reduction measures may then damage service transformation, leading to tactical measures which prevent further investments.



- **Understand the real costs** – The total cost of IT services across an authority can often be difficult to determine, often because costs are buried away in numerous departments. IT investment decisions need to encompass all of the costs involved. One strong example where this type of approach can save money is in energy consumption. Many IT budgets do not include the cost of running the data centre, so how can the Head of IT make informed choices about energy efficient technology? In short, authorities must get a clear view and firm grip on spend, and keep as lean as they can without compromising quality.
- **Create a business-led IT strategy** – Although it is IT's role to provide technical solutions, the strategy should be focused on the business processes that the technology will support. This means the authority is more likely to implement solutions which will meet their requirements and reveal the benefits, whether these are efficiencies or service improvements.
- **The world has changed** – Most authorities will be familiar with the 'best of breed' versus 'a corporate suite solution' argument. Best of breeds bring enhanced functionality, while corporate suites can ease the integration process and simplify support arrangements. A third option (Gartner 2007) is a 'cornerstone' approach, which starts from the premise of determining the smallest number of applications needed to do the job. Then a dominant vendor provides a solution which serves as a foundation around which other applications can be built. For example, if an Enterprise Resource Planning (ERP) solution can deliver an acceptable asset management solution, then why go with a 'best of breed' that drives up cost? On the other hand, ERP solutions cannot currently compete with the leaders in social care, so there is no one-size-fits-all model.

3) Balance control and risk

- Local authorities need to understand their IT related business risks, and make a corporate decision to determine their preferred balance between security and flexibility.
- Having determined acceptable levels of exposure, authorities must implement controls and monitoring mechanisms to understand their levels of compliance against key areas of risk. The highest profile risk area in recent years has been data security, but business continuity and fraud could also damage the service provided to citizens.
- IT risks are a good example of where an authority needs to work together – business continuity cannot be managed without first identifying the priority services, and deciding which systems should be recovered first in an emergency.

4) Search for the right solution

Local government IT departments have a difficult job. No single system can provide every line of business service, or back-office function. However, the traditional directorate-led approach to IT solutions has produced an unwieldy number of systems which leads to multiple inefficiencies.

- **Reuse what's already there** – There is a lot of talk about Service Orientated Architecture – but it can be simply expressed as creating business value out of existing technology – reusable assets. Recycling elements of existing solutions certainly sounds attractive in today's world. For many, this proposition remains too theoretical, however authorities should always be looking at ways of collaborating or integrating to get more 'bang for their buck'.

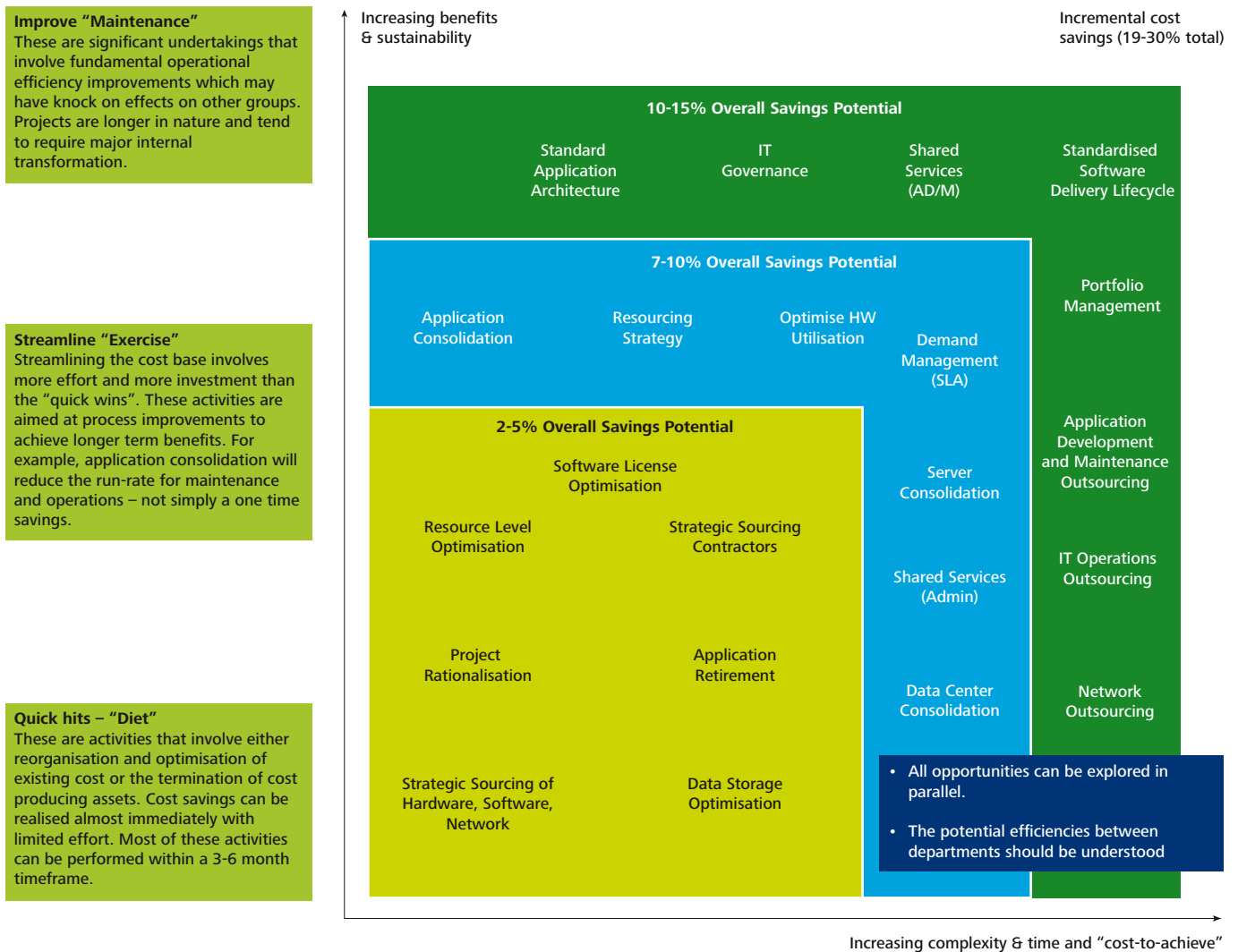
The total cost of IT services across an authority can be difficult to determine, often because costs are buried away in numerous departments.

The savings are out there

In today's economic environment, the pressure is on: authorities are being asked to make significant savings, and having to do more with less. Authorities are also being asked to share their resources, and work more closely with each other. The 'Total Place' initiative announced in April 2009 will require radical changes to existing service provision in partnership with other authorities. The good news for authorities embarking on such journeys is that the potential for savings is real. In our experience some 2-5 percent can be realised through a 'quick wins' approach, 7-10 percent through further medium-term streamlining, with 10-15 percent saving potential through a long-term programme of improvement.

"Where are the savings?"

"Where are the savings?"



Improve "Maintenance"
These are significant undertakings that involve fundamental operational efficiency improvements which may have knock on effects on other groups. Projects are longer in nature and tend to require major internal transformation.

Streamline "Exercise"
Streamlining the cost base involves more effort and more investment than the "quick wins". These activities are aimed at process improvements to achieve longer term benefits. For example, application consolidation will reduce the run-rate for maintenance and operations – not simply a one time savings.

Quick hits – "Diet"
These are activities that involve either reorganisation and optimisation of existing cost or the termination of cost producing assets. Cost savings can be realised almost immediately with limited effort. Most of these activities can be performed within a 3-6 month timeframe.

Over to you – Time to take control

Taking Control of IT requires taking a challenging look at whether you have the essential ingredients to manage IT effectively. Can you deliver a suitable day-to-day service at a price you can really afford? Does your IT department really support your authority's transformation ambitions to realise greater efficiencies and improve services? With the pressure to do more with less increasing all the time, there has never been a better time for you to get the ingredients right. In the final analysis, your actions will be the biggest determinant of success.

Contacts

Costi Perricos

Partner, Local Government IT
07771 605219
cperricos@deloitte.co.uk

Neil Yeomans

Partner, Local Government Security and Controls
07799 581699
nyeomans@deloitte.co.uk

Bill Hall

Director, Local Government IT effectiveness
07768 833603
bhall@deloitte.co.uk

References

Gartner (December 2007) Application Strategy: Third Option Added to Best of Breed vs. Suites: ID Number: G00149575.

Deloitte refers to one or more of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTT and its member firms.

Deloitte LLP is the United Kingdom member firm of DTT.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2009 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 31093

Member of Deloitte Touche Tohmatsu