

# Report

## Cabinet

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### Part 1

Date: 14<sup>th</sup> October 2020

**Subject** Shared Resource Service (SRS) Data Centre Business Case

**Purpose** To update Cabinet on the Shared Resource Service (SRS) business case to migrate IT infrastructure of Newport City Council and other SRS partners

**Author** Digital Services Manager/Head of People and Business Change

**Ward** General

**Summary** Proposed migration of the council's IT infrastructure and that of other SRS partners from Blaenavon, Newport and Ebbw Vale to an alternative data centre location. A review by SRS has identified that even more secure data centre facilities can be provided over public infrastructure at lower cost. The proposed change of physical data centre location compared with the original business case, rather than a change in strategic direction is the main reason for this report being put forward for consideration and approval.

**Proposal** Cabinet accepts the SRS' proposed data centre move, and provides SRS with approval to migrate Newport City Council's infrastructure to its preferred location

**Action by** Head of People and Business Change

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law and Standards
- Head of Finance
- Chief Executive
- Cabinet Member for Communities and Resources
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**Signed**

## Background

### Original Decision Resulting in Newport City Council Joining the Shared Resource Service (SRS)

On 14<sup>th</sup> March 2016 a [report on Review of IT - Alternative Service Delivery](#) was presented to Cabinet that agreed:-

*I. To accept the Scrutiny Committee's preferred option of developing a detailed business case for a partnership with the Shared Resource Service,*

*II. To agree in principle the preferred option for NCC to establish a collaborative public sector partnership with the SRS and to provide update reports to the Cabinet*

*III. To delegate authority to the Head of People & Business Change and Statutory Officers to develop a final business case for the preferred option, to establish a collaborative public sector partnership with the SRS*

*IV. To delegate authority to the Head of People & Business Change and Statutory Officers to implement the preferred option to establish a collaborative public sector partnership with the SRS, subject to the arrangement being financially viable and operating to at least the financial requirements stated in the Part 2 / Confidential report presented to Cabinet. The arrangement will also be subject to not falling below the expected benefits as detailed within the Business Case*

Subsequently, a detailed business case was developed. This was implemented with Newport City Council's IT service formally becoming a partner of the Shared Resource Service (SRS) on 1/4/2017. A number of 'investment objectives' were included in the part 2 report provided to Cabinet.

*Investment objectives, at a minimum, were identified as:*

- Responsive, continuously improving IT service*
- Rationalisation of systems across the partnership*
- Staff development*
- Infrastructure that delivers resilience and quality of service*
- Development of business continuity and disaster recovery arrangements including out of hours support as appropriate*
- Support for the delivery of digital goals as outlined in the digital strategy*

### September 2020 Update - Proposed Data Centre Move

As referenced in the original report from March 2016 mentioned above, a number of the investment objectives reference the benefits of a move of the council's infrastructure to SRS' data centre in Blaenavon. Little of the council's infrastructure has been transferred to Blaenavon to date. A reasonable proportion currently remains in Newport's computer room and an increasing proportion is provided in the cloud e.g. Office 365, WCCIS, CRM, HR/Pay etc. Whilst the physical data centre in Blaenavon has been a positive asset to the SRS for ten years, this represents a long time in the world of technology. Therefore, SRS has developed a business case for data centre provision for partners that is summarised below.

The main objective of the business case is to identify the best value for money option for data centre provision going forward. This will be done by:-

- reducing the need for capital investment in the current data centre (i.e. refreshing/replacement of the mechanical, electrical and environmental equipment (i.e. Aircon UPS etc.)*
- reducing data centre revenue costs (i.e. support and maintenance contracts which includes engineer service, callouts and parts replacements)*

- removing the varying risks that are present in the current provision to all partners from all facilities, these are documented in the SRS Risk Register as agreed with the Strategic Board
- reducing SRS staff time to manage major incidents and day to day operations required from operating a partner owned data centre facility
- procuring data centre services that avert service failure and provide ICT service continuity to SRS' partners
- providing a core infrastructure in an alternative data centre location acting as a safe harbour for hosting ICT services and providing the interconnect / stepping-stone to access future cloud services such as Azure
- removing the risk of providing data centre services to non-core partners in light of the SRS Strategic Board direction

Options considered (whilst these are generic options for the SRS partners they equally apply to Newport City Council) are:-

- Do nothing – this would result in certain failure of equipment causing loss of service for extended periods of time. This is not considered as a viable option for partners as it would not be fit for purpose given the reliance on IT for service delivery.
- Do minimum, by replacing all environment facilities within SRS's data halls on a phased approach. This would be significantly more expensive and less resilient than the preferred option
- Reduce to a single data hall in Blaenavon. This option would be a similar amount of work to another migration but would not meet the future needs of partners. This option continues with higher costs than are required but does meet the supportability. The SRS Strategic Board also rejected this option as too high cost in January 2020
- Alternative provision - move to an alternative data centre. This offers all of the data centre requirements the SRS needs and delivers at a reduced overall cost compared with the current provision

The main conclusion of SRS' review is that a move to an alternative data centre is best for effective service delivery for all partners and provides best value for money. The original recommendation was a move to Blaenavon for both Newport and Blaenau Gwent services. In light of the direction of travel the move for both partners should still be to align with the wider partnership. This now means that all partners should move to the alternative location and Newport and Blaenau Gwent would not take the interim step of moving to Blaenavon first.

The business case has been reviewed by Digital Services and Finance. It needs to be recognised that the move will provide a much more resilient core infrastructure than that of existing computer rooms in Newport. This improved resilience does result in an increase in revenue costs but this is also in part due to the inclusion of annual funding to ensure the sustainability of this core infrastructure. Capital costs are significantly less than updating the infrastructure at Blaenavon for use by all partners. The apportionment of costs is considered to be fair going forward giving flexibility to partners whilst still benefiting from economies of scale for the partnership. It aligns with the council's general move to cloud services over time. It is therefore the preferred option proposed for Newport City Council.

The proposal is therefore as below:-

- To accept the SRS' preferred option of moving the necessary council IT infrastructure and that of other SRS partners to another data centre location,
- To delegate authority to the Head of People & Business Change to implement the preferred option to move the necessary council IT infrastructure to another data centre led by SRS in conjunction with SRS partners

## Financial Summary

- As detailed above SRS has identified that the cost of moving to an alternative data centre location is significantly cheaper than the costs of updating and maintaining the original facility in Blaenavon.

### Revenue Costs

- The proposal results in additional revenue costs as detailed below:-

	Year 1 2021-22	Year 2 2022-23	Year 3 2023-24	Year 4 2024-25	Year 5 2025-26
<b>REVENUE</b>					
<i>Shared Costs</i>	9,234	9,419	9,607	70,898	72,316
<i>Reduction in NCC Energy Costs</i>	0	0	0	(55,000)	(55,000)
<i>Contribution to Capital</i>	60,991	60,991	60,991	60,991	60,991
<i>Rack Rental</i>	0	0	0	38,357	39,546
<i>Energy for Racks</i>				52,101	57,311
<i>New Maintenance Contracts</i>	25,750	26,265	26,790	27,326	27,873
	<u>95,975</u>	<u>96,675</u>	<u>97,388</u>	<u>194,673</u>	<u>203,036</u>
<b>FUNDED BY:</b>					
<i>Reduction in SRS Costs</i>	(9,234)	(9,419)	(9,607)	(9,799)	(9,995)
<i>Closure of Building*</i>	0	0	0	(21,000)	(21,420)
<i>Contract and PSBA Savings</i>	(46,819)	(47,755)	(48,710)	(49,685)	(50,678)
<b><i>(Additional funding required)/saving realised</i></b>	<b>(39,922)</b>	<b>(39,501)</b>	<b>(39,071)</b>	<b>(114,189)</b>	<b>(120,943)</b>
<b>TOTAL FUNDING</b>	<u><b>(95,975)</b></u>	<u><b>(96,675)</b></u>	<u><b>(97,388)</b></u>	<u><b>(194,673)</b></u>	<u><b>(203,036)</b></u>

- The additional costs in relation to the Data Centre move shown above will be met from the planned IT and Digital revenue budget shown within the MTFP for 2021 onwards.
- As stated previously in the report, the proposed £60,991 revenue contribution will cover the periodic upgrade of infrastructure required for the data centre move.

## Capital Costs

In relation to capital costs, the data centre migration negates the need for the necessary spend on the underlying infrastructure at Blaenavon

- The necessary funding fits in the Council's IT infrastructure requirements as identified by SRS on the Council's behalf
- The capital costs are detailed below:-

	Year 1 2021-22	Year 2 2022-23	Year 3 2023-24	Year 4 2024-25	Year 5 2025-26
<b>CAPITAL COSTS</b>	361,000	0	0	0	0
Rolling programme of works	143,750	143,750	135,500	150,000	145,750
Servers	60,000	80,000	40,000		
<b>TOTAL EXPENDITURE</b>	<b>564,750</b>	<b>223,750</b>	<b>175,500</b>	<b>150,000</b>	<b>145,750</b>
ANNUAL CAPITAL IT BUDGET	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Assumed Slippage from 2020/21	(514,000)				
<b>TOTAL FUNDING</b>	<b>(664,000)</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>(150,000)</b>
<b>NET POSITION</b>	<b>(99,250)</b>	<b>73,750</b>	<b>25,500</b>	<b>0</b>	<b>(4,250)</b>

	Year 1 (2021- 2022) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
<b>Costs</b>	<b>60,991</b>	<b>60,991</b>	<b>60,991</b>	<b>114,189</b>	<b>*Year 4 is the proposed year of transfer and includes an assumed reduction in NCC energy costs</b>
<b>(Savings)</b>	<b>(21,069)</b>	<b>(21,490)</b>	<b>(21,920)</b>	<b>0</b>	
<b>Net Costs</b>	<b>39,922</b>	<b>39,501</b>	<b>39,071</b>	<b>114,189</b>	
<b>Funded by: MTFP</b>	<b>(39,922)</b>	<b>(39,501)</b>	<b>(39,071)</b>	<b>(114,189)</b>	
<b>Net Impact on Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Doing nothing would result in future failure of equipment and associated impact on service delivery	H	H	Proposal is to move to an alternative data centre location and cloud services in line with the council's Digital Strategy	Head of People and Business Change/Digital Services Manager/SRS
Project is a large, complicated one across a number of partners with a number of associated risks	H	L	Work with SRS and suppliers via existing SRS boards and specific project groups to ensure successful project delivery	Head of People and Business Change/Digital Services Manager/SRS

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

This project supports the Council's Modernised Council theme, facilitating a modern, flexible organisation supported by technology. It is also closely aligned to the council's Digital Strategy. Removing the servers from our buildings will reduce our direct carbon emissions by 92 tonnes CO<sub>2</sub>eq per year which represents close to 1% of our total building related carbon emissions. Although emissions will be transferred to the datacentre, these will be much lower.

## Options Available and considered

- Do nothing – this would result in certain failure of equipment causing loss of service for extended periods of time. This is not considered as a viable option for partners as it would not be fit for purpose given the reliance on IT for service delivery. Newport's current data and compute facilities are end of life
- Do minimum, by replacing all environment facilities within SRS's data halls on a phased approach. This would be significantly more expensive and less resilient than the preferred option and would also require Newport moving all current facilities to Blaenavon
- Reduce to a single data hall in Blaenavon. This option would be a similar amount of work to another migration but would not meet the future needs of partners. This option continues with higher costs than are required but does meet the supportability. The SRS Strategic Board also rejected this option as too high cost in January 2020. This would also require Newport moving all current facilities to Blaenavon
- Alternative provision - move to an alternative data centre. This offers all of the data centre requirements the SRS needs and delivers at a reduced overall cost compared with the current provision

## Preferred Option and Why

The preferred option is to approve the proposed data centre move to alternative data centre provision. This provides all of the data centre requirements the SRS needs for partners and delivers at a reduced overall cost compared to updating the current data centre provision. Newport does not have a viable 'do nothing option' due to the current state of our current data centre facilities. All options require capital investment to 'move' so it is logical to choose the highest quality and cheapest option.

## **Comments of Chief Financial Officer**

The detailed financial impacts are shown within the body of the report.

**REVENUE:** There will be an additional on-going revenue cost of c£40k from 2021/22 and will be met from the proposed investment of £250k in the service at that time, currently included in the Council's MTFP. This will rise to c£120k in 2024/25 and will also be met from the same investment, at that time. It is therefore important that the full investment is not fully committed next year so that it can be prioritised for this in 2023/24 onwards when the full financial impact of this move is incurred.

**CAPITAL:** The development has now crystallised the capital investment plans required within the Council and in that respect, is useful and provides clarity. There are two broad aspects. Firstly, the initial capital costs of £361k within the alternative data centre location will need periodic refresh and the proposed c£61k reserve contribution will do that and is recommended. This provides a sustainable solution to this aspect of the Council's ICT requirement. Secondly, on top of that – an annual investment of c£150k in Council offices ICT infrastructure is also required and is identified in the report and will be included within the Council's capital programme. It is one of about 4 broad areas of 'annual sums' within the Council's annual capital spend and given that, is funded from the annual WG capital grant. In that respect, that also provides a sustainable solution to this aspect of the Council's ICT infrastructure.

The Council has revenue budgets for purchase of desktop equipment i.e. laptops, keyboards etc

The situation will no doubt flex as we move on through the next 4 years and our use of equipment in the data centre may well change/reduce as we move further to cloud/provider hosted solutions and therefore this plan and budget will need periodic review as part of the Council's MTFP/annual budget setting process.

## **Comments of Monitoring Officer**

There are no specific legal issues arising from the Report. The proposal to move the Council's IT infrastructure to an alternative data centre location is in accordance with the investment objectives identified in the original Business Case for the Council to join the SRS joint service. The preferred solution is also consistent with the Council's Digital Strategy and the move to cloud-based systems. The Council's current data storage arrangements in the Civic Centre are outmoded and need to be relocated and centralised to maintain information and data security, business continuity and resilience. It was originally intended to relocate the IT infrastructure to the SRS data centre in Blaenavon, but this is no longer considered to be a viable option. In terms of the procurement of the preferred solution, the SRS Business Case confirms that there is only one technical solution and data centre which meets the specified requirements for the service and, therefore, they are recommending that a direct award should be made without any competitive tendering. The procurement process is a matter for Torfaen/SRS as the commissioning authority, but the Council still needs to be satisfied that the recommended solution represents best value.

## **Comments of Head of People and Business Change**

As the report author, the comments of the Head of People and Business Change are contained in the main body of the report.

There are no HR implications arising directly from this report. The report notes how the proposal is in line with the sustainable development principle in the Well-being of Future Generations Act. Key considerations are preventing future infrastructure problems and reducing risks of local system failure as well as ensuring longer term sustainability.

## **Comments of Cabinet Member**

The decision by SRS to move to find alternative data centre provision was discussed and resolved at the SRS Strategic Board. The security and integrity of data and systems is of critical importance to the Council and is vital in ensuring operational resilience. This proposal is most beneficial to Newport from a security, resilience and a financial perspective and will provide a long term solution for us and SRS partners.

## **Local issues**

None

## **Scrutiny Committees**

Not applicable

## **Equalities Impact Assessment and the Equalities Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

## **Children and Families (Wales) Measure**

Although no targeted consultation takes place specifically aimed at children and young people, consultation on planning applications and appeals is open to all of our citizens regardless of their age. Depending on the scale of the proposed development, applications are publicised via letters to neighbouring occupiers, site notices, press notices and/or social media. People replying to consultations are not required to provide their age or any other personal data, and therefore this data is not held or recorded in any way, and responses are not separated out by age.

## **Wellbeing of Future Generations (Wales) Act 2015**

The sustainable development principle in the Well-being of Future Generations Act has been considered as follows:

- Long term: the provision of a data centre that SRS has identified can be provided over public infrastructure that provides a long term sustainable option, especially given the wider move away from private on premise provision. The provision is costed over a 15 year period but is flexible and scalable which is part of the public infrastructure model.
- Prevention: the business case is based on preventing future infrastructure problems for partners and reducing local risks of failure.
- Integration: the proposed alternative data centre will consolidate infrastructure across partners that will provide a simpler, more integrated delivery model. The proposal aligns with the Council's digital strategy and Modernised Council agenda.
- Collaboration: the SRS is a collaborative IT service and this proposal maintains the provision of key IT infrastructure between partners collaboratively for improved economy, efficiency and effectiveness
- Involvement: All partners and their respective representatives have been engaged in the process and will be heavily involved in the implementation with SRS.



## **Crime and Disorder Act 1998**

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

## **Consultation**

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

## **Background Papers**

[Review of IT - Alternative Service Delivery](#) – Cabinet 14<sup>th</sup> March 2016.

SRS Data Centre Business Case 2020

Dated: