LONDON BOROUGH OF CROYDON

REPORT:		**Audit and Governance Committee**
DATE OF DECISION		**14th March 2024**
REPORT TITLE:		**Core Business Systems Assurance Review**
DIRECTOR:		**Paul Golland, Interim Chief Digital Officer, and Director of Resident Access**
LEAD OFFICER:		**Jon Martin, Interim Head of Specialist Systems** **Email: jon.martin@croydon.gov.uk** **Telephone: 0208 604 7394**
LEAD MEMBER:		**Cllr Jason Cummings, Cabinet Member for Finance**
KEY DECISION?	**NO**	N/A
CONTAINS EXEMPT INFORMATION?	**NO**	Public
WARDS AFFECTED:		*All*

1 SUMMARY OF REPORT

1.1 This Committee previously requested assurance that the council had measures in place to ensure effective utilisation of its core IT business applications. This report outlines the work undertaken to date and governance in place to monitor progress in this area. It proposes a work plan for 2024/25 for further improvements.

2 RECOMMENDATIONS

For the reasons set out in the report, Audit and Governance Committee, is recommended to:

2.1 Note the scope, measurement approach, and work undertaken to date.

2.2 Consider whether the measures described and proposed work plan for 24/25 provide acceptable level of confidence to address the Committee's request for assurance.

2.3 to agree that updates shall be presented at least annually to committee to allow for ongoing monitoring.

3 REASONS FOR RECOMMENDATIONS

3.1 This is the first report of this nature to the Audit and Governance Committee following a specific request for information on whether the council has effective measures in place to govern its core IT business applications.

3.2 The report defines the extent of the systems in scope and outlines a framework within which the key activities for using and managing core IT applications can be assessed. It then provides evidence of the current measures in place and the current work being undertaken to improve. A work plan for the next financial year is proposed.

3.3 It is hoped that the evidence presented in this report gives confidence to the committee that this area of governance is being managed with appropriate controls and there is a robust plan to recognise where improvements are still needed to further enhance the maturity of the measures in place. Members are invited to consider and comment on these proposals as necessary.

4 BACKGROUND

4.1 The *Oracle Improvement Programme* report presented on 19th October 2023 at the Audit and Governance Committee meeting highlighted several historical adoption and technical challenges which impact how well the council optimises the potential to get best value from the investment made in its IT business applications.

4.2 As a result: *the Committee requested assurance on the value for money and effective use of all major software systems utilised to deliver internal and external services*.

4.3 This report considers the separate components, which combine to support the measurement of *Value for Money* and *Effective Use* of Croydon's core business systems. It evidences the work underway to govern these elements and presents a plan to continue this work to ensure continual review and improvements are incorporated into developing the maturity of the council's governance activities.

5 SCOPE

5.1 Major software systems delivering internal and external services covers a broad range of technologies, applications, and suppliers. *Figure 1* below shows the core business applications landscape at Croydon.

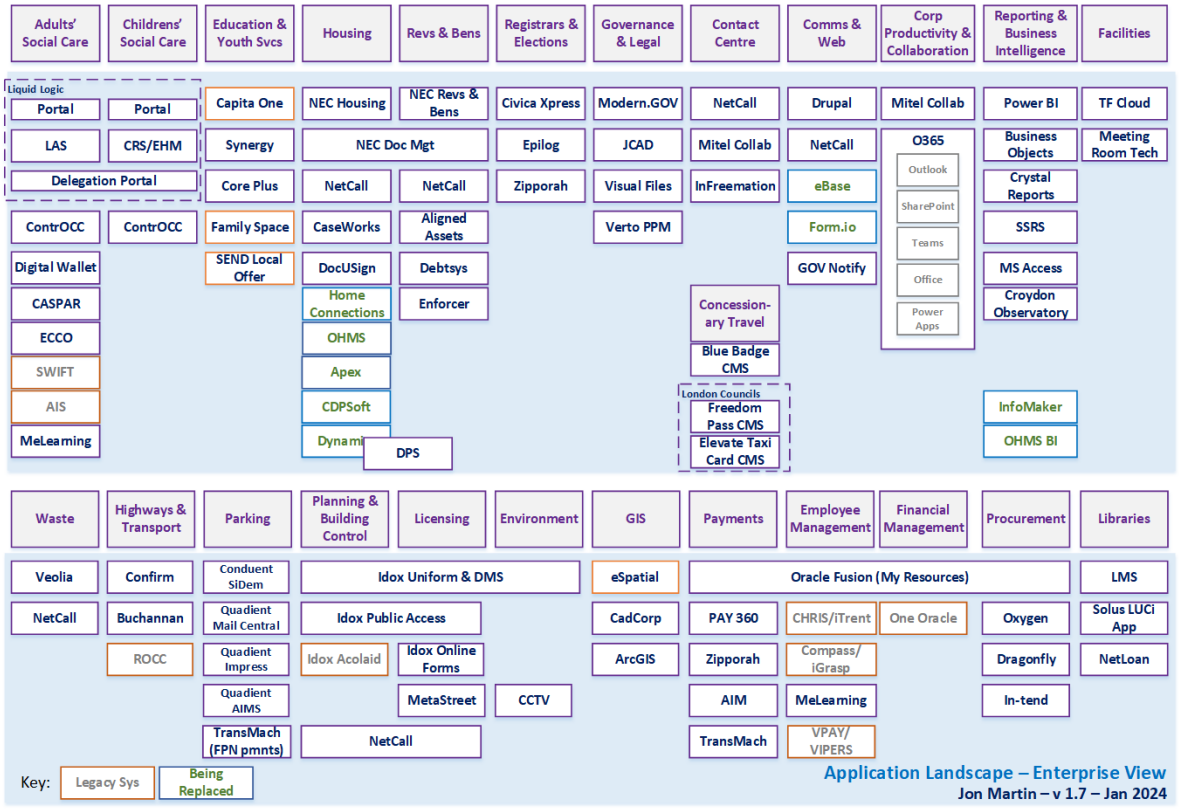

Figure 1- Business Application Landscape (Jan 24)

5.2 Assuring appropriate and effective governance is in place to monitor and measure the return on investment across Croydon's core business applications and supporting technologies is complex. There isn't a single measure. *Figure 2* below attempts to provide a breakdown of the different factors grouped into four broad categories.

5.3 These categories are then used in this report to evidence the current progress and maturity of the work to date and influences the future workplan which recognises where improvements are still needed to further enhance this maturity.

5.4 **Value for Money** focuses on the more tangible and commercial activities and processes across the organisation to ensure transparency, track expenditure, and monitor usage.

5.5 **Oversight and Governance** focuses on taking a holistic corporate view to ensure consistency across the organisation. Establishing strategy and standards to assure joined-up rather than siloed development of digital, data, applications, and technology.

5.6 **Managing Business as Usual** focuses on ensuring all aspects of using business applications to deliver services to internal officers and external customers is both sustainable and predictable. This includes having clear accountabilities, roles, and responsibilities in managing the people, processes and technology that underpin each service offering.

5.7 **Improving Utilisation and Capability** focuses on proactively and consciously taking time to consider how to leverage more from the investment we have already made.

Part of this is through the regular version updates to core applications, but also through the challenge of workarounds and pain points and opportunities created through innovation.

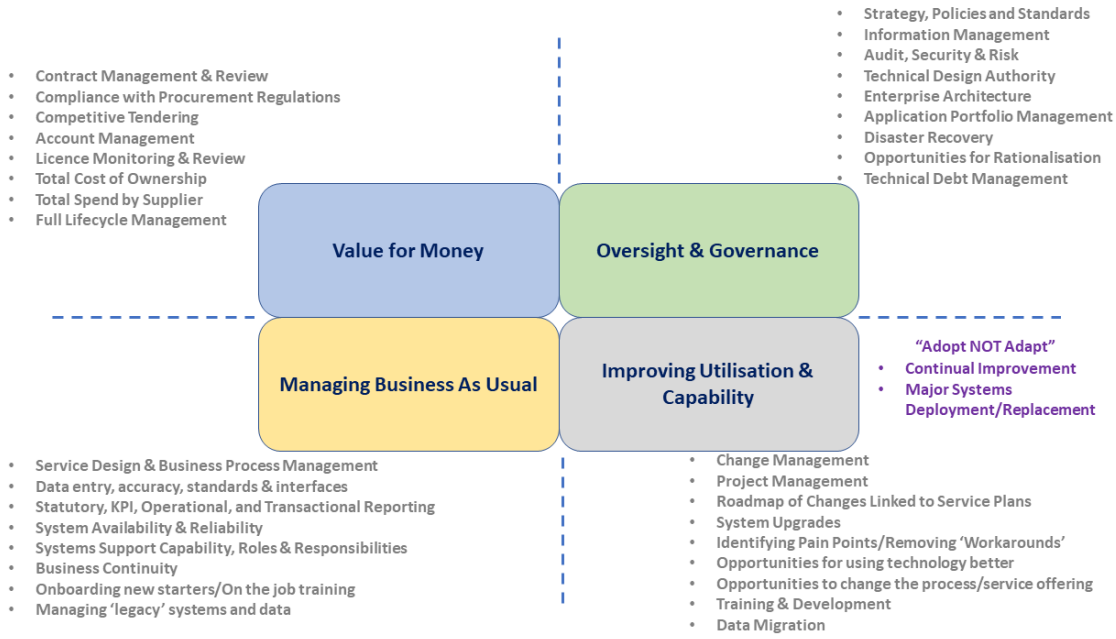

Figure 2 - Four Building Block Framework for Assuring Investment in Systems and Technology

5.8 Where the improvement is only possible through replacing legacy technologies, this category also encompasses the effective implementation of new solutions. In this situation a key lesson learned from organisations across both Public and Private sectors is the need to 'adopt rather than adapt' these solutions to avoid unnecessary customisation and the resultant investment overruns to deploy and operate.

6 WORK UNDERWAY

6.1 The independent Rapid Review assessment which followed the council's initial section 141 notice highlighted several improvements around governance and amongst other things saw the introduction of various Internal Control Boards (ICB). The Information Management ICB focuses on ensuring appropriate assurance around the use and storage of personal and sensitive data used across the organisation, and the Digital Internal Control Board (DICB) focuses on strategic topics around the oversight and management of systems and technology.

6.2 Since its inaugural meeting on 23rd June 2022, the Digital ICB has regularly discussed matters of systems governance, recognises the need for greater consistency across the organisation in this area, and has championed the initiatives already underway.

6.3 A brief review of the key activities for each of the four building blocks from *Figure 2* to evidence the work underway is provided in the following points of this section.

6.4 Value for Money

6.5 Procurement governance linked to Council's Tenders and Contracts Regulations as per Part 4I of the Constitution are well established. A contracts register is actively

managed. Initiatives to review and improve the consistency and capability of contract management (especially the Platinum and Gold contracts) is being led by the corporate procurement team.

6.6 The Croydon Digital Service (CDS) commercial team have oversight of a sub-set of the contracts register focusing on systems and infrastructure contracts. There are regular reviews between CDS and procurement to ensure information is as accurate as possible.

6.7 Part of DICB's remit is to have oversight of the total council spending on IT systems and services. Work is progressing to define the elements of expenditure and how such items are coded so it can be reported upon. Many but not all IT-related contracts are funded from central budgets managed within CDS. Services may also use local budgets to fund smaller systems and pay for consultancy and other professional services.

6.8 The cost of a system is often based on the number of users, and for larger systems there may also be features or modules which have additional licence requirements. Monitoring licence usage is informal and ad-hoc and varies by system. CDS Commercial team undertake periodic reviews for the contracts they oversee. The Oracle (My Resources) support team review usage quarterly due to the complexities of the licensing model.

6.9 Total spend on technology isn't only about the in-year cost, but consideration also needs to be given to total cost over the life of the asset. This is a complex area, and a paper currently being drafted for DICB identifies the following lifecycle stages:

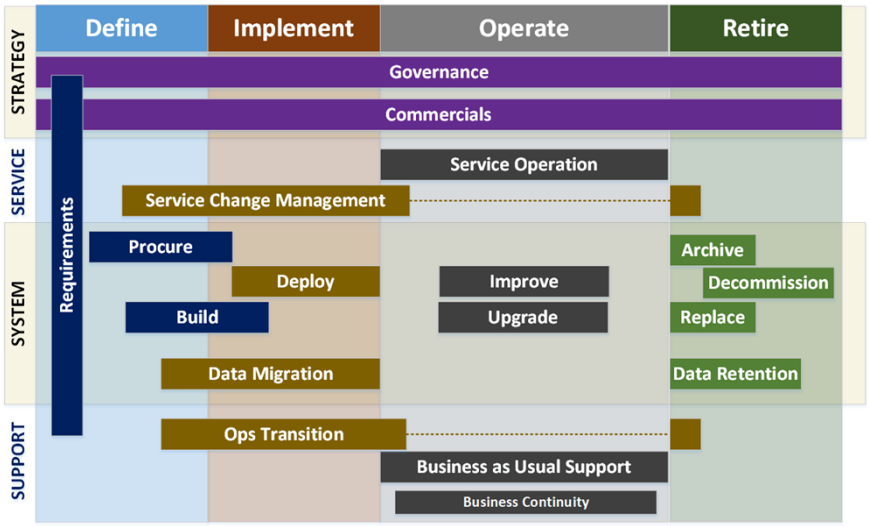

Figure 1 - Draft Technology Lifecycle Model

6.10 Oversight and Governance

6.11 Since its creation in June 2022, DICB has critically questioned what Croydon needed to have effective oversight of its systems and technology. Proposals for implementing a clearer structure for governing core applications was agreed by DICB and ratified by CMT on 23rd November 2022. The key elements of this structure are summarised below:

6.12 The use and support of systems is complex. Analysis into how the core business applications is used and supported for the initial papers for DICB found that CDS only support 45% of core systems. This means over half of systems are supported by the services themselves. This highlighted the need for agreeing how systems should be governed and supported in a more consistent manner. The application landscape diagram shown in *Figure 1* was developed to help define what was being used where.

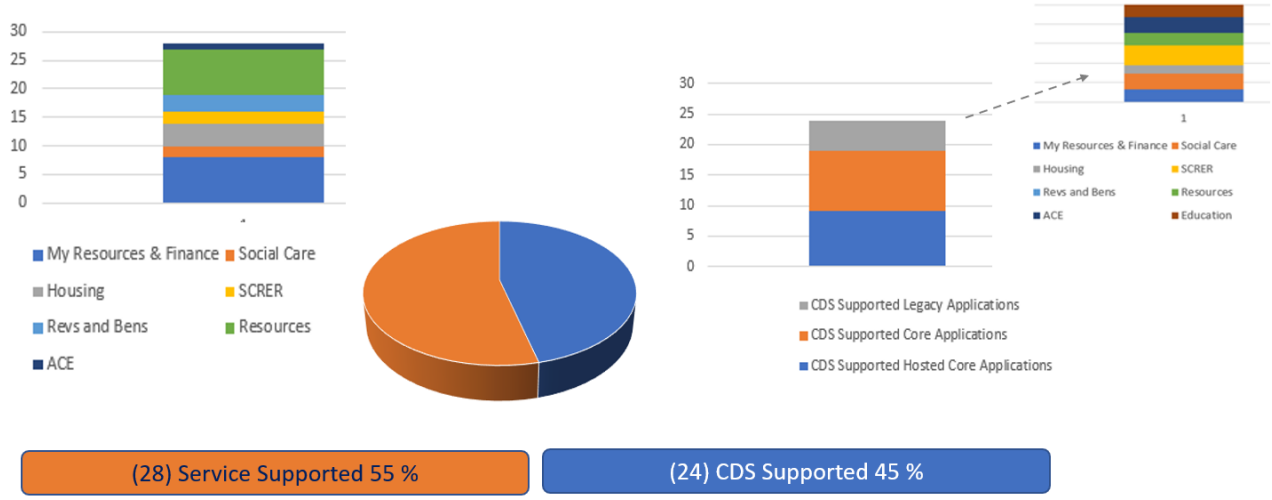

Figure 2 - Breakdown of Support Provision for Core Applications (Jun 22)

6.13 With over fifty applications in use, many managed outside of IT, there needed to be a pragmatic way of representing the 'health' of each core application. The concept of a *systems' dashboard* (see prototype below[1]) was agreed at DICB. Each application is shown as a row on the dashboard. There are ten categories to gauge the 'health' of the application, each with a RAG status. These ten categories cover key elements of all four building blocks referenced in *Figure 2*. A template has been created to capture the assessment and is ready to be shared with directorates for completion.

[1] Note this prototype is a 'mock up' of what the dashboard could look like. It is not based on any formal assessment and the use of Red, Amber, or Green is only to illustrate how the dashboard could be used to highlight areas of concern.

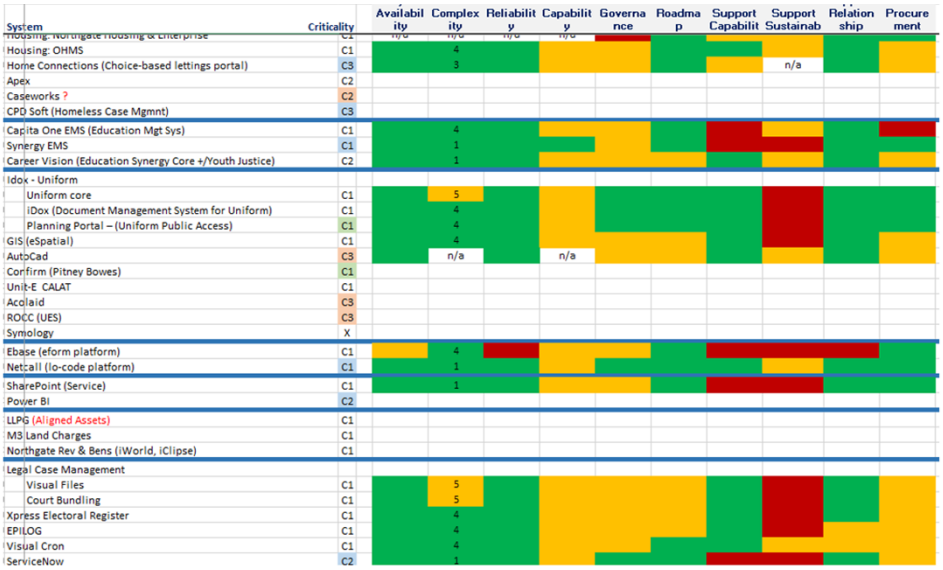

Figure 5 - Proposed Core Application Dashboard (see footnote[1])

6.14 Additionally, the following principles were agreed as the minimum standard to which all core applications should be managed. The dashboard assessment (above) includes the baselining of the current attainment against this standard to then be able to target areas for improvement.

Principles (proposed)

1. Every critical IT system should have a *system owner* at Head of Service level or above.
2. Every critical IT system should have robust and transparent governance arrangements, comprising:
   a. Regular, formal meetings, appropriate to the nature and use of the system.
   b. A set of common documentation artefacts that are kept current and accessible to all users and stakeholders.
   c. Participation from the supplier of the system.
   d. Engagement with users of the system.
3. Governance framework applies to all critical IT systems not just those supported by CDS and is appropriately resourced so that governance activities are not seen as optional.
4. The Digital ICB (or equivalent) has responsibility for monitoring the efficacy of critical IT systems governance arrangements.
5. All critical IT systems must follow agreed, *ITIL*-based, system *change management* processes for all upgrades and any event which may cause the system to be unavailable.

Artefacts

Each system should have common set of documentation that is maintained, current and available for inspection. This core set of artefacts should include:

- Terms of Reference – defines how governance arrangements are managed for that system.
- Minutes of governance meeting.
- Systems Issue Log – A generic term to recognise the importance of having a formal list of pain points and known issues.
- Systems Roadmap – To be able to effective plan resources and govern the system, it's important to have a rolling twelve- to eighteen-month forward plan (or roadmap) of the key parts of the system and any LBC infrastructure needed for it to operate.
- Systems Backlog – This is really a subset of the process to create the roadmap. As resources are tight (financial and people) the backlog is the list of non-business-as-usual upgrades that are needed to keep the system current and secure, or enhancements requested by the service to improve utility of the system. The items on the backlog can be discussed and prioritised, before they are added to the roadmap.
- Systems Diagram(s) – Although slightly more technical in nature, each system is likely to need several 'pictures' of how the system operates within the context of Croydon's architecture and other systems.

Figure 6 - Agreed Principles for the Governance of Core Applications

6.15 A new central repository in SharePoint has been developed to hold the artefacts defined above. Work is progressing with the Information Management team to store all current Data Protection Impact Assessments (DPIA) for systems in this repository so they can more easily be referenced.

6.16 Strategy is shown at the top of the list of activities core to the governance building block of *Figure 2*. There is a need to review and refresh the core digital, data and technology strategies as the current documents were created before lock-down and the financial difficulties so need to reflect the council's changed priorities.

6.17 Managing Business as Usual

6.18 Technology is at the centre of everything we do. Every service today is in-part a technology business irrespective of the service they deliver. The challenge (globally and not just for Croydon) is ensuring managers and officers are aware of what this means. The activities listed under this category in *Figure 2* outline the key touch points between the delivery of the service and the technology which enables and supports it.

6.19 The immediate need, especially considering 55% of core applications are primarily supported within the service area that uses them (*Figure 4* above), is to focus on the System Support Capability. DICB has agreed there is a need for a consistent model for operating and supporting (core) systems across the organisation published and understood with clear roles and responsibilities.

6.20 This model is referred to as the *Systems Support Framework*. The work to develop this framework is based on two internationally recognised best practice models: I*T Service Management* (*ITSM*) considers the end-to-end operation of the IT function as a service, and, *Enterprise Architecture (EA)* attempts to consider the organisation as a whole and how the different technical and business building blocks need to be combined to sustain its current operating model, plus the ongoing improvement and development of these building blocks to support transformation to a future state operational model.

6.21 The Open Group Architectural Framework (*TOGAF*) is regarded as the most widely adopted EA framework internationally. TOGAF have developed a 'domain model' to help represent the different layers that need to be considered when operating technology. *Figure 7* uses this domain model to illustrate the broad demarcation of accountability for these layers between the service and the technology support function. The 'red line' represents a target point of consistency of accountability across the organisation. The 'grey lines' show the current position with most core applications not having this clarity.

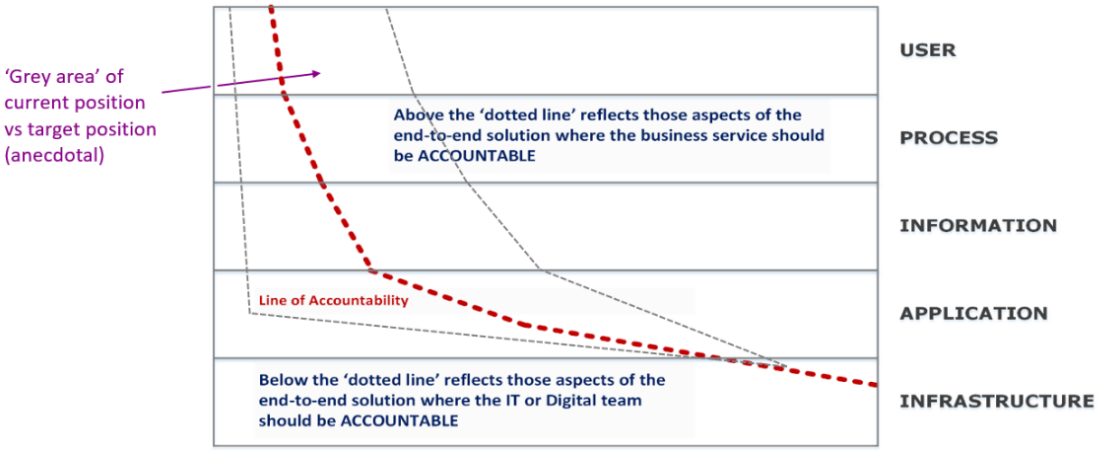

Figure 7 - Broad Demarcation of Accountability between Service and IT for each Domain

6.22 In broad terms, the Service is responsible for defining the service it wants to offer and is accountable for all processes, data and systems needed to deliver it. IT has a supporting role in making that happen. The IT function is accountable for

understanding the strategic and operational requirements of the council and translating those into technical infrastructure solutions that are fit for purpose, whilst at the same time defining standards to maintain security, resilience, and the inter-operability of systems and exchange of data, minimising duplication of functions and the re-keying of data.

6.23 Although the previous paragraph provides a high-level statement of intent, there are multiple stakeholders involved in all 'layers' of the model and as with most things, the devil is in the detail. There is a considerable amount of work to develop this *Systems Support Framework* into the appropriate level of detail, not forgetting the wider engagement and education needed to upskill those managers and officers relying on technology to deliver their service to embrace it.

6.24 Three Potential *Warning Signs* of a System Not Fully Functioning Effectively

6.25 Before moving onto *Improving the Utilisation and Capability* category, it is worth highlighting the following three warning signs that may be present in the business-as-usual operation of a system that could be a symptom of not fully leveraging the capabilities of it. These 'pain points' are key things to look out for and track and should feed into the continual improvement roadmap for each system.

6.26 **Cost of poor data quality and rework** – Data is a cornerstone of every service. It is vital data is entered and maintained accurately. It is everyone's responsibility to take care when working with data to ensure compliance with data protection laws and internal standards. However, it is common for support teams to have to resolve issues caused by incorrectly entered data, remove duplicates, and troubleshoot information on reports and KPIs caused by inaccurate data. This is an unnecessary overhead cost of operation.

6.27 **Workarounds** – When a system is deployed there will be constraints on how it can be used. Sometimes these constraints result in the creative adoption of off-system processes, and commonly rely on spreadsheets or other tools to manage. Workarounds like this need to be formally logged so they are recognised for what they are: at best an overhead cost to the service, at worst a risk which could affect service resilience and problems resulting from key data not being accessible from a trusted and secure source.

6.28 **Onboarding & Training** – A key driver for the efficient and effective utilisation of a system is having users proficient in its operation. Too often when there are financial challenges, training is one of the first areas considered for making savings – this is often a false economy! Initial and ongoing training and monitoring, linked to current service operations procedural documents, is the best way to ensure data and process standards are shared and the system is used in a consistent manner.

6.29 Improving Utilisation and Capability

6.30 This final building block from *Figure 2* primarily covers activities to continually review and improve the way the system functions, ensures the system components are

maintained so they are supported and secure, and assesses how well users of the system have adopted it, so it is both effective and efficient.

6.31 Depending on the system, there are usually at least one, and sometimes up to four upgrades each year. These need engagement from technical and business stakeholders to review the scope of the change and to identify whether any bug fixes or functional enhancements need to be incorporated into existing processes.

6.32 Cuts in funding and resource often mean any significant change required to deploy these potential improvements over and above the basic upgrade and testing work requires separate justification and funding.

6.33 *Figure 6* (above) references the roadmap and the backlog as being two key artefacts which should be maintained for all systems. The backlog enables a list of opportunities to be captured and prioritised – this should link to the appropriate service plan and incorporate known upgrades, initiatives to review/remove identified pain points, and improvements to service delivery. The roadmap then presents a timeline view of the work so funding can be secured, and resources made available at the right time to support the changes. There is work needed to embed this approach as the current default tends to be reactive.

6.34 The review and prioritisation of initiatives on the work plan backlog also need to embrace robust challenge. Recent lessons learned from other Authorities (most notably Birmingham) where systems are configured to bespoke them to fit 'the way things have always been done' rather than deploying the system as vanilla as possible has been seen to result in (significant) cost overruns. This highlights the need for strong leadership in enforcing the 'adopt not adapt' design principle.

6.35 Making changes to systems and monitoring adoption requires competence in project and change management. Reviewing the maturity of project and change management capability will be part of new target operating model work being led through Transformation.

6.36 Finally, in addition to major systems projects having their own project governance arrangements, DICB has acted as a critical friend, including regular progress updates, escalations to CMT where necessary, and having oversight of and participating in lessons learned reviews.

7 ASSESSMENT SUMMARY AND PRIORITISATION OF NEXT STEPS

7.1 The above assessment highlights the complex nature of the many activities required for Croydon to understand and manage its core business applications and provide sufficient confidence that these assets are being fully utilised.

7.2 There isn't a single person accountable for this work; neither is it the sole domain of the IT function; instead, there is an intricate web of activities and responsibilities between IT, each service, service delivery partners, and other specialists across the council.

7.3 DICB has been key to supporting several initiatives to review and develop a foundation upon which further work can be built. This governance will continue to be a key role in maintaining momentum to build on the work already started.

7.4 Despite this support and encouragement, progress to date has relied upon individuals finding time to meet, discuss, develop and review material on a reasonable endeavours basis. With operational pressures and resource constraints, progress hasn't been as rapid as would have been liked.

7.5 Without dedicated resources it is unrealistic to be too prescriptive about what will be achieved by when. Instead, the following work plan is shared to represent the pragmatic commitment to continue the work already started and show the relative priority these next actions have.

7.6 Progress against this work plan will be monitored through quarterly updates at DICB. It is also recommended that updates on progress on this topic are reported annually into the Audit and Governance Committee.

8 THE 2024/25 WORK PLAN

8.1 Focus for Q1 and Q2

8.2 *Systems Dashboard* (*Figure 5*) – CDS to liaise with each directorate to complete the checklists. Then compile and publish the dashboard.

8.3 *Systems Support Framework* – continue work clarifying accountability and defining roles and responsibilities for support activities through existing DICB sub-group.

8.4 Consider the '*three warning signs*' outlined at Appendix B and what could be done to capture information to better manage the risks these warning signs may pose.

8.5 Progress the initiative with the Information Management team to store all current DPIAs for systems in the (new) IT Systems Governance SharePoint repository.

8.6 Focus for Q3 and Q4

8.7 *Systems Support Framework* – continue work in progress. The expected restructure of CDS will help define and challenge the detail.

8.8 *IT expenditure monitoring* – continue reviewing how spend on IT is tracked and reported upon. Where budgets are held centrally, consider how to ensure services are still accountable for their use of the systems they rely upon.

8.9 *Systems Dashboard* - DICB to agree focus areas based on RAG status shown on initial dashboard.

8.10 *Technology Lifecycle* (*Figure 3*) – review how this model can be used to better understand the total cost of ownership. Consider how to capture actual costs of each stage of the lifecycle to better inform how business cases and other decisions are taken.

8.11 Other Parallel Activities

8.12 Review and refresh the core digital, data and technology strategy to reflect the council's changing priorities.

8.13 Review the maturity of project and change management capability as part of new target operating model work being led through Transformation.

9 CONSULTATION

9.1 This report provides an update on the work being undertaken to develop and support governance and assurance activities for ensuring core business applications achieve best value and utilisation. There is no requirement for Member or Public consultation.

9.2 The findings and recommendations proposed in this report are part of the ongoing work programme reporting into the Digital Internal Control Board, which has cross-directorate membership.

10. CONTRIBUTION TO COUNCIL PRIORITIES

10.1 The scope of this report encompasses all core business applications so touches on every service the council delivers. It's focus on assuring best value and utilisation of these assets means it is part of the Mayor's priority to *ensure good governance is embedded and adopt best practice.*

11. IMPLICATIONS

11.1 FINANCIAL IMPLICATIONS

11.1.1 This report provides an update on the work being undertaken within existing resource and funding constraints to develop and support governance and assurance activities for ensuring core business applications achieve best value and utilisation. There are no additional revenue financial implications resulting from this report.

11.1.2 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. 23/02/2024

11.2 LEGAL IMPLICATIONS

11.2.1 Under Section 3(1) of the Local Government Act 1999 ("the 1999 Act"), the Council, as a best value authority, must make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This includes how its services are delivered via and supported by digital and other means.

11.2.2 Under Section 15 of the 1999 Act, the Secretary of State has the powers to intervene if satisfied that the Council is failing to meet its best value duty. This includes the power to issue directions that the function of the authority be exercised by the Secretary of State, or a person nominated by him for a specified period.

11.2.3 On 20th July 2023, the Secretary of State for Levelling Up, Housing and Communities ("the SoS") issued Directions under Section 15(5) of the1999 Act to the Council on the basis that the Council was failing to comply with its Best Value Duty setting out actions to be taken by the Council to comply the duty. The SoS Directions require the Council to, amongst other things, continue to address the culture of poor financial management at the Authority and to continue to restore public trust and confidence in the Authority by transforming the Authority's activities, practices, and omissions to ensure that they are compatible with the best value duty. In addition, the council is required to secure as soon as practicable that all the Authority's functions are exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Croydon.

11.2.4 If any changes, terminations or other amendments are required to any existing agreements or contracts in place pertaining to digital services, business systems and/or software the council utilises or owns as a result of proposals in this report these will need to be subject to specific legal advice and may need to be separately negotiated or be subject to relevant contractual change control processes. Any new systems, software or services may be subject to procurement requirements and the parameters set out in the Council's Tender and Contract Regulations, Part 4I of the Constitution. Officers involved in any such projects or proposals will need to obtain separate legal advice as to implications before proceeding.

11.2.5 Comments approved by the Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 01/03/24)

11.3 EQUALITIES IMPLICATIONS

11.3.1 Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

11.3.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

11.3.3 By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equality's duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively.

11.3.4 This report provides an update on the work being undertaken within existing governance arrangements. Based on the findings and recommendations proposed in this report there are *no changes* to any systems or processes, therefore no direct impact on equalities for protected characteristic groups have been identified.

11.3.5 Comments approved by: Felisha Dussard 28//02/2024

11.4 ICT IMPLICATIONS

11.4.1 This report provides an update on the work being undertaken to develop and improve governance around core IT systems. There are no additional ICT implications resulting from this report since the foundations described are based on internationally recognised models of IT best practice which supports the direction of travel of the Croydon Digital Service.

11.4.2 Comments approved by: Paul Golland, Interim Chief Digital Officer, and Director Resident Access. (Date 01/03/24)

12. BACKGROUND DOCUMENTS

12.1 None

13. URGENCY

13.1 None.