



Committee and Date

Council

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ICT DIGITAL TRANSFORMATION PROGRAMME BUSINESS CASE

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1. Background

- 1.1 The Council's stated desire is to deliver services at the highest quality and lowest cost compared to other authorities in everything that it does. The latest Corporate Plan and Financial Strategy have identified that alongside a redesign of the Government funding model for local authorities, significant work needs to be undertaken by the Council itself to enable it to achieve the current Government's stated aim that Councils should become financially self-sufficient. This cannot be delivered overnight and an approach has been set out to make significant progress by 2019/20 along the following lines:
- Economic Growth – the Council has adopted an Economic Growth Strategy with the aim to generate growth in jobs and businesses and also directly generate resources for the Council on a number of fronts including through increased business rate generation
 - Commerciality – the Council has adopted a Commerciality Strategy to improve efficiency and income generation across the Council, placing more and more services on a commercial footing and creating new income streams to supplement service delivery across the authority.
 - Digital Transformation – the Council has adopted an ICT Digital Transformation Strategy that will transform IT systems, reshape services and 'back-office' functions, reducing costs, removing duplication, improving efficiency and enabling more effective service delivery across a rural geography.
- 1.2 All of these areas require significant investment to deliver the obvious financial gains on offer and the Council has been reviewing its investment approach to ensure funding is made available to deliver the greatest opportunities available. The final two bullet points above are closely linked, as more commercial service delivery cannot be achieved without fast, effective and efficient infrastructure unpinning everything the Council does. The Council has not invested in its IT infrastructure since the rationalisation programme undertaken when Shropshire became a unitary authority in 2009. Since then the Council has faced funding cuts which have impacted on service delivery; sometimes through cuts in service, often by redesign of the service in the light of changing customer needs. The Council's property infrastructure has been rationalised and the Corporate Plan adopted in 2016 has set a new direction for this work focussing on a much smaller public estate with

improved functionality throughout. This improved functionality cannot be delivered using the Council's aging ICT infrastructure and needs to be overhauled.

- 1.3 All councils with their wide range of services are facing the challenge of keeping pace with the advancement of technology and communication methods. New digital technologies such as mobile devices and apps together with scalable computing power are transforming the way organisations work, the way staff undertake their jobs and the way people interact/do business with the council. At the same time as this technological and communication shift is taking place, the harsh financial climate means that there is increasing pressure to provide essential services at reduced cost.
- 1.4 Recognising these competing pressures, Shropshire Council initiated the ICT Digital Strategy Programme ("the Programme") with the objective to improve efficiencies and reduce costs by implementing modern technologies and process improvements. The aim of the Programme is to examine how IT systems and software that support or transact these services could be digitised, modernised and automated, introducing end to end processes where possible, thereby making them more cost effective and efficient.
- 1.5 The challenge for Shropshire Council, and in particular the provision of IT, is to
 - Achieve significant financial savings, these savings will be in a variety of areas, reduced overhead costs, reduced software licence costs, process redesign, reduced infrastructure and accommodation costs, increased productivity and staff reduction.
 - Transform the business operating models enabling a more commercial approach to service design and delivery
 - Redesign and streamline the business processes across the organisation making them more efficient and increasing productivity on the front line
 - Build a more flexible, agile and integrated technology solution(s)
 - Improve customer engagement and encourage Customers to interact directly with the Council via digital media and self-service.
- 1.6 Failure to modernise systems and processes and failure to invest in technologies that will enhance customer/resident experience will result in:
 - Increasing inefficiency within all systems and processes across the council, particularly when compared to other organisations who have embraced digital transformation
 - Inability to reduce operating costs because of duplications in manual processing and procedures that are constrained by outdated systems
 - Limit the Council's ability to operate more commercially
 - Minimise the opportunity to provide more cost effective online services
 - Restrict the availability of customer insight information and performance data resulting in reduced capacity to improve commissioning or delivery of services.

- 1.7 In January 2016 the Programme was streamlined to focus on 3 main areas Social Care, Business Transformation and Technology. The Programme was renamed the ICT Digital Transformation Programme.
- 1.8 The outline proposals were approved by Full Council on 21st July 2016 and financial provision was incorporated into the financial strategy approved at the same time. The case for change and the recommended approach were set out in the report and approved by, but it was agreed at the time that a full business case would be developed presented to Full Council for final approval.
- 1.9 After the outline business case and funding were approved by Full Council, and in order to inform a full business case the three projects in the programme began the procurement process.
- 1.10 The timescale for Social Care Replacement System Project was dictated by the need to have a replacement system in place by 1st April 2018. The reasons for this were the expiry of the contact with the existing system supplier and the fact that the system was reaching obsolescence and would cease to be supported by the supplier.
- 1.11 In February 2017 Cabinet gave approval to agree a contract with preferred supplier. The programme is now in design phase and is on schedule for April 2018 implementation.
- 1.12 In the Technology Project procurement of a new Customer Relationship Management System and Telephony system have reached preferred supplier stage. The timescale on this project has now become more urgent because the existing supplier has gone into administration and whilst there is no immediate threat to the service a replacement system is a priority.
- 1.13 The Business Transformation Programme represents by far the largest investment and on full implementation will have the highest return on investment. The procurement process so far has informed the costs and benefits and further detail is being worked through at present.
- 1.14 The Financial implications for the full Digital Transformation Programme will be regularly updated and reported in the Financial Strategy, and brought to Cabinet and/or Council for approval as appropriate. The existing financial envelope for the programme, agreed by Council in July 2016, remains adequate. Further details about the case for change not replicated in the full business case can be found in the report to Full Council on approved 21st July 2016.

2. Recommendations

- 2.1 It is recommended that Council
 - Approve the full business case that has been developed to support the ICT Digital Transformation Programme and which details the operational and financial benefits and implications including risks.

- Delegate authority to the Head of Finance, Governance and Assurance (section 151) in consultation with the Portfolio Holder for Corporate Support to negotiate and agree a contract with the preferred supplier identified within the Business Transformation Programme.
- Delegate authority to the Head of Human Resources and Development in consultation with the Portfolio Holder for Corporate Support to negotiate and agree a contract with the preferred supplier for the Customer Relationship Manager Software and the associated telephony requirement.
- That Council note that future updates to the costs and savings of the IT Digital Transformation Programme will be reflected in the Council's budget and updated and monitored through the Council's regular processes (e.g. the Financial Strategy, Capital Programme and Monitoring Reports).

Financial Implications

- 3.1 In July 2016 Council approved the Digital Transformation Programme which included an overall financial envelope of £23.037m. This was inclusive of three main projects within the Programme:
- Social Care – replacement of the existing system (Required Funding £5.115m)
 - Business Transformation – replacement of key Financial, HR, Payroll and CRM systems (Required Funding £17.923m)
 - Technology – review of legacy systems and working methods across the Council (Required Funding included above)
- 3.2 At the present time the Social Care system has progressed sufficiently within the procurement process to provide updated financial information on investment and implementation costs. These are currently commercially sensitive. Furthermore, a full review of cashable and non-cashable savings is currently being undertaken, based up on the selected solution. At the present time the financial envelope associated with this element of the programme appears to be sufficient.
- 3.3 The Business Transformation project is currently in the process of being procured and further detailed work on the financial implications will be necessary to update the investment and implementation costs and both cashable and non-cashable savings. At the present time the financial envelope associated with this element of the programme appears to be sufficient.
- 3.4 The technology workstream has been reviewed and a new governance structure is being put in place on the back of the current finding. Some of this project will be taken forward as separate workstream working alongside Business Transformation and Social Care. A separate element is being considered as unpinning to all three of the projects described above and much of this can be delivered within existing resources. Consequently, this will not have an adverse impact on the financial envelope associated with this project. In the meantime, as much of the revised financial information is still a work in progress and/or commercially sensitive, the DTP Business Case has retained the existing financial analysis.

3.5 As summary of the total programme costs from the business case is shown in table one below.

Table one

<i>FUNDING POSITION</i>	Year 0	Year 1	Year 2	Year 3	Year 4		Totals
	2016/17	2017/18	2018/19	2019/20	2020/2021		
Costs:							
One off Costs	16,223	7,891	1,499	460	160		26,233
On-going Costs	5,230	6,202	5,287	4,680	4,537		25,936
Total Costs	21,453	14,093	6,786	5,140	4,697		52,169
Base Budget	5,217	5,217	5,217	5,217	5,217		26,085
Cashable Benefits (excl. systems savings as included within base budget)	80	441	708	848	970		3,047
Required Funding*	296	8,435	861	-925	-1,490		23,037

*Funding approval secured 21st July 2016

Conclusion

The hybrid option although in different form to the one originally envisaged still gives us the option to take forward a number of key elements within this – Finance, HR and Procurement on one platform. There is sufficient evidence that this alone would justify the investment. At the current stage of procurement there is evidence that at least one of the remaining suppliers in the process could deliver improvements on the current systems and with some development deliver a more joined up solution.

The fact that all systems cannot at this time be on one unified platform is not a barrier to taking out significant duplication in administrative processes, create greater productivity across the organisation, and achieve improved Business Information and Management Information. All of which equates to better use of resources. From a system perspective this should be achievable either directly within the new system, or through robust interfaces and sharing of data. The original business case estimates that we will make £11 million cashable and non-cashable savings. This will not be possible if we retained the existing systems. We are planning to build in to the contractual requirement with the new provider the requirement to develop these within the first contractual term.

At the time of this report we believe this is achievable. If this position is maintained and we continue to believe this is achievable we will continue. If we encounter problems, we reserve the right to pause and look at alternatives, such as investing in our existing systems to deliver a different outcome.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Local Member

Appendices