

North Lanarkshire Council Report

Policy and Strategy Committee

approval noting

Ref KH/LJ

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PoW003.1 DigitalNL Transformation Programme :Updated Investment Profile

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Executive Summary

At its meeting of 21 March 2019, the Policy and Strategy Committee considered the Full Business Case (FBC) in respect of the digital transformation programme, and subsequently approved the indicative 5-year investment of £28.8m illustrated within the report.

Following engagement of the System Integrator in October 2019 and a deeper understanding of costs associated with deploying the key technology components, a number of the original business case assumptions have been reviewed and updated. This report highlights those movements and the implications of such on the indicative investment and budgetary requirement.

The cumulative impact on the council and Business Solutions as a service of the COVID19 pandemic was not known at the time of resetting Year 2 of the DigitalNL programme (April 2020), however, it did provide the opportunity to review the capital and revenue investment required for the remainder of the programme.

This report highlights the review process, the assumptions made to reach a revised investment profile, and details all currently known aspects of the revised financial requirements for Year 2 onwards.

Recommendations

It is recommended that the Committee:

- (1) Note the adjustment to legally committed spend still to be reported to the SCDG as per section 2.2.3.
- (2) Approve the updated investment profile contained within Appendix One noting the assumptions contained therein.
- (3) Note the benefits tracker, detailed in Appendix Two, which will be used to monitor and measure savings anticipated from digital service redesign.
- (4) Note that a number of other considerations and uncertainties still remain within the DigitalNL programme.
- (5) Otherwise note the content of the report.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement (18) Ensure our digital transformation is responsive to all people's needs and enable access to the services they need

(21) Continue to identify and access opportunities to leverage additional resources to support our ambitions

(24) Review and design services around people, communities, and shared resources

1. Background

- 1.1 Members will recall at the meeting of the Policy and Strategy Committee on 21 March 2019 the *Detailed Design: DigitalNL Transformation Programme* was approved. At that time the indicative investment for the digital transformation programme was approved at £28.8m, consisting of £13.5m capital and £15.3m revenue expenditure.
- 1.2 As previously reported through the Transformation and Digitisation Committee (November 2019), a presentational error of DigitalNL Capital and Revenue funding resulted in £3.3m of capital investment being wrongly categorised as revenue. The correct requirements for capital and revenue over the 5-year programme were therefore £16.8m and £12m respectively.
- 1.3 Following approval of indicative investment levels, a Financial Funding Model (the Model) was initially developed to support the delivery of the indicative 5-year Programme. Confirmed funding levels of £12.5m and £9.9m were included within the approved 5-year capital programme and Digital Revenue Reserve respectively. It was acknowledged that further capital and revenue funding would be required, however, it was anticipated this funding would flow from any early year efficiencies/savings and be reinvested in the Programme. In addition, not all recurring operational costs for ICT, licence, support and maintenance contracts were known, or included, within the approved FBC.
- 1.4 A number of decisions taken during the 2020/21 financial year have resulted in a significant review of the Model assumptions being required. These are outlined below:
 - As outlined above, efficiencies/savings resulting from DigitalNL transformation were assumed within the FBC as being available to support the ongoing Programme investment and any consequential recurring revenue costs. However, against the backdrop of the council's challenging financial outlook, a significant proportion of the estimated digital savings were included within savings proposals approved for 2020-21 to 2022-23, thereby reducing sums available to support the required investment and recurring revenue costs for the latter years of the programme.
 - Linked to the point above, the FBC assumed the first tranche of savings achieved would be directed to offset known unfunded legacy ICT contract costs. This has been removed and is now reflected in the Business Solutions 2020/21 budget.
 - Whilst the original model assumed the General Fund would provide the required investment funding upfront, it also assumed financial contributions from both the Housing Revenue Account and Adult Health and Social Care, according to the efficiencies and benefits experienced by these services as a result of the digital investment. However more consideration is required to determine the level and timing of these financial contributions, which is discussed in more detail below.
 - All residual savings (not included in the three referenced above) have been removed from the Model. This is linked to the gross savings not factoring in costs associated with the redeployment or creation of the new posts required within areas such as the Customer Services and Business Intelligence Hubs.
- 1.5 In February 2020 a root and branch review of the DigitalNL programme took place in collaboration with the Business Partner (BP) and the System Integrator (SI), following the latter's contract commencing in October 2019. This review covered the phasing of service redesign, technology build phasing, build requirements for the Customer Services and Business Intelligence Hubs, the governance of the programme and the impact on the investment programme.
- 1.6 Through the governance arrangements for the programme a detailed outcome report was submitted to the Delivery Board in March 2020. The report highlighted movement from the original indicative costs included in the FBC and advised that once the outcome of the detailed service design, roll out plan and the server migration plan were understood, a more accurate picture of recurring costs would be prepared.

- 1.7 At the Transformation and Digitisation Committee on 13 May 2020, the report detailing the status of the Year 1 work packages and proposed Year 2 programme was approved. However, due to the emerging issues surrounding the COVID19 pandemic, from an investment and service re-design point of view, this report acknowledged much of the Year 2 programme could potentially be phased differently from previous approvals.
- 1.8 During Year 1 of the programme a significant number of assumptions were made in the investment model, initially linked to the FBC. With good progress made in implementing the key technology components during Covid19 and greater learning from service redesign, the projected spend profile and future investment requirement of the DigitalNL Programme was reviewed, and is now detailed within this report and appendices.
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2. Report

- 2.1 COVID19 and the council's recovery planning has accelerated the pace of change across the organisation. Wide scale transformation and the services contained within the digital programme including service redesign, Microsoft O365 and the build of the dynamics platform in particular, are now in very high demand.

2.2 Capital Position

- 2.2.1 The Policy and Strategy Committee approved a revised Capital Strategy to 2022/23 in June 2019, with such adopted in preparing the revised investment programme for 2020/21, 2021/22 and 2022/23 approved by Committee in March 2020.
- 2.2.2 The Strategy also outlines the role of the Strategic Capital Delivery Group (SCDG), initially set up in July 2017 to develop the 5 year programme, in ensuring the effective management, delivery and monitoring of capital projects for the revised capital programme for the period 2020/21 to 2022/23
- 2.2.3. Following the latest meeting of the SCDG in July 2020, and consideration of the Head of Financial Solutions report "*Capital Budget Review 2020/21 to 2022/23*" in respect of legal and essential capital expenditure, Business Solutions were allocated further annual sums of £1.170m for home working and digitisation pressures, taking the total capital budget to £8.896m, of which £6.406m is in relation to DigitalNL. At the time of submitting required capital returns to Financial Solutions for consideration, Business Solutions declared £6.406m as legally committed for DigitalNL in 2020/21. Following advice from Legal Services around the BP contract and through the course of reviewing the programme and Model, a sum of £4.235m was considered legally committed, with the balance of £2.171m instead identified as essential spend. This adjustment will require to be reported to the next meeting of the SCDG.
- 2.2.4 The review of the programme, re-profiling of planned investments, alignment to duration of SI contract, and transfer of skills/knowledge from the Business Partner (PwC) to staff within Business Solutions are now appropriately reflected as either legally committed or essential spend across the remaining years of the transformation programme. Appendix One illustrates the Updated Investment Profile for the Programme totals £14.621m, with £5.995m required within the current 2020-21 financial year (Year 2) and £5.828m in respect of the remaining years of the programme.
- 2.2.5 In March 2020, Committee approved in principle the remaining three years of the 5-year capital programme to 2022-23, with such subject to confirmation of future capital grant allocations. With capital grant support received in 2020-21 significantly below estimate, and ongoing uncertainty over the level of grant support available for the remaining years of the capital programme, it is recognised the future capital investment required for the DigitalNL programme will be submitted as bids to the SCDG.

2.3 Revenue Position

- 2.3.1 In approving the FBC, committee acknowledged costs and work packages were illustrative and subject to finalisation of a more detailed implementation and resource plan. With the BP and SI

contracts constructed to enable maximum flexibility over work-packages, significant values of uncommitted spend were highlighted within the investment programme at the end of Year 1. Engagement of the System Integrator and a deeper understanding of costs associated with deploying the key technology components enabled this to be addressed during Year 2, with revenue costs in respect of the programme now profiled across Years 2 to 4 (2020/21 – 22/23).

2.3.2 Revenue investment costs are detailed in Appendix One and illustrate that revenue costs associated with sprint and transformational redesign work, now largely aligned to service recovery, is estimated at £9.306m. For the current financial year (Year 2), revenue sums of £3.762m are presently envisaged, with a further £2.327m projected for financial year 2021-22.

2.4 Revenue Recurring

2.4.1 As highlighted in 1.5, a more detailed understanding of recurring costs likely to arise from deploying the new technologies now exists, enabling those highlighted as indicative within the FBC to be revised. At this point in time however, the cut-off points for financial years remain unclear. Business Solutions is aiming to adopt a model whereby contract renewal takes place at 4 points in the year – April, July, October and January. This will allow for future forecasting within financial years to be more accurate. Appendix One illustrates the anticipated recurring costs of the Programme for Years 2, 3, 4 and beyond, with such ranging between £1.517m and £2.981m per annum. The update to the Council's Medium-Term Financial Plan, to this Committee, makes provision for the estimated general fund requirement.

2.4.2 Other factors members may wish to consider when reviewing this updated investment and costing profile include:

- Projections have been restated as at Year 4 to coincide with the contracted period of the SI rather than the indicative 5 years indicated within the approved FBC. This is however caveated by the assumption that the Council will continue to invest in technological advances through the processes as set out by the SCDG.
- Cloud consumption and licence usage will be closely monitored by Business Solutions. The cost of consumption software (Flexera or equivalent), and recurring maintenance and licence costs are now built into the Model. This will allow accurate monthly figures to be produced and reported through the governance arrangements. It is anticipated that this software will be in place for 1 April 2021.
- Benefits and savings will be identified, measured and monitored using the benefits tracker illustrated within Appendix Two. This will include financial and non-financial savings. All benefits and savings are currently being reprofiled to take account of movements within Council services and structures since the FBC approval.
- Funding profiles will be kept under continual review in line with the financial processes outlined above.
- A number of financial risks associated with the programme have been prepared by Financial Solutions and will be reviewed and reported through the Transformation and Digitisation Committee.
- Whilst a lower capital requirement is presently projected, the full capital funding identified for the programme remains to mitigate against potential unknown activity and associated requirements remaining within the programme. This is considered to include for example, a range of software upgrades required to facilitate connectivity and/or compatibility with the new digital platform and cloud hosted environment, as well as potential costs associated with operating a new DevOp environment.

3. Equality and Diversity

3.1 Fairer Scotland Duty

There are no specific requirements for an assessment under the Fairer Scotland duty arising from this report.

3.2 Equality Impact Assessment

There are no specific equality impacts with reference to the Model.

4. Implications

4.1 Financial Impact

- 4.1.1 Appendix 6 of the *Detailed Design: Digital NL Transformation Programme* report approved by the Policy and Strategy Committee on 21st March 2019 highlighted an investment requirement of up to £28.800m, with savings realised in the initial years of the programme expected to fund any costs arising in excess of confirmed funding sources. Members will note that the updated investment profile remains within the indicative investment levels approved by the Policy and Strategy Committee.
- 4.1.2 Paragraphs 1.3 and 2.2.3 above outline the currently approved funding for both capital and revenue expenditure requirements. Appendix One summarises the financial position as discussed in 2.3 and 2.4 above, which indicates that of the £9.900m funding approved for revenue investment, a balance of £5.759m remains at 2020/21 (Year 2) to fund the remaining revenue requirements. As outlined in 1.4 above the original funding model assumed financial contributions from the Housing Revenue Account and Adult Health and Social Care. Appendix One highlights additional financial contributions are required. However detailed consideration of the revised benefits tracker at Appendix Two is necessary to determine the level and timing of these financial contributions. Once this review has been undertaken the model will be further updated accordingly.
- 4.1.3 Appendix One also summarises the capital expenditure forecast position as discussed at 2.2 above.

4.2 HR/Policy/Legislative Impact

There are no HR/Policy/Legislative impacts linked to the Model.

4.3 Environmental Impact

There are no Environmental impacts.

4.4 Risk Impact

Risk management takes place through the robust governance arrangements for the DigitalNL Programme and will be reported to the Transformation and Digitisation Committee.

5. Measures of success

- 5.1 The programme, from a financial perspective, will be measured against previous approvals of £28.8m. Success will be evidenced through technology being efficiently and effectively deployed to support new digital service delivery models and solutions being designed to meet the needs of businesses and communities.
- 5.2 Specific measures of success will be identified and evidenced as The Plan for North Lanarkshire and all Programmes of Work (including DigitalNL) progress.
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6. Supporting documents

Appendix 1 – DigitalNL - Updated Investment Model
Appendix 2 – Live Stages of Benefits

Katrina M Hassell

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Head of Business Solutions

DigitalNL Programme [Revenue Position]	Actual	Updated Forecast			
	Yr1 - 19/20 £m	Yr2 - 20/21 £m	Yr3 - 21/22 £m	Yr4 - 22/23 £m	Yr5 - 23/24 £m
<i>INVESTMENT</i>					
Opening Reserve Balance	9.900	5.759	0.480		
Revenue	-3.217	-3.762	-2.327		
Reserve Balance / (Gap)	6.683	1.997	-1.846	0.000	0.000
<i>RECURRING</i>					
Revenue Recurring Budget per MTFP			1.826	2.708	2.728
Revenue Recurring Costs	-1.149	-1.517	-2.259	-2.981	-2.981
Budget Surplus / (Deficit)	-1.149	-1.517	-0.433	-0.273	-0.253
Contributions Received / Required	0.225	0.000	2.279	0.273	0.253
Closing Reserve Balance	5.759	0.480	0.000	0.000	0.000

Total Estimated Revenue Investment	£9.306m
Per Full Business Case (Restated)	£12.000m

Total Estimated Revenue Recurring Costs	£2.981m
Per Full Business Case	£1.826m

DigitalNL Programme [Capital Position]	Actual	Updated Forecast			
	Yr1 - 19/20 £m	Yr2 - 20/21 £m	Yr3 - 21/22 £m	Yr4 - 22/23 £m	Yr5 - 23/24 £m
<i>INVESTMENT</i>					
Capital	2.798	5.995	5.328	0.500	

Total Estimated Capital Investment	£14.621m
Per Full Business Case (Restated)	£16.800m

Live Stages of Benefits

Appendix Two

This data shows the Stage of the process the Service Area has reached and additional commentary

FBC Savings - FTE Rebased		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Comments
		Define Success	Identify / Quantify	Value / Appraise	Plan	Realise	Review	
Explanation of Stages in terms of where Services are within the process regarding: Service Sprints / Work Packages / Projects	Updated Release	The Plan for North Lanarkshire SPF Framework and associated Programmes of Work (PO003 - Detailed design : Digital NL Transformation Programme) - FBC @ 70%	Benefits identified from opportunity workshops, playback sessions, customer journeys and 1:1s with HOS. Mapped to identify links to TPFNL and rebased in line with current establishment	Benefits modelled in costs £/FTE terms for financial savings. Non-financial benefits assessed for value, volume and transactional measures with a representative and measurable baseline	Outputs from Service Sprint/Work Package/Project validated and agreed with HOS. Indicative plan to realise benefits with agreed roles/responsibilities designed and in play	Benefits actively tracked against plan to achieve change. Stakeholder management and effective reporting with corrective action for slippage	Completion of PIR to determine if outcomes achieved and opportunity to identify lessons learned	
Licensing & Litigation	R1	3.3	4.7	0.0	0.0	0.0		
Organisational & People Solutions	R1	8.0	0.0	10.0	0.0	0		
Waste Solutions	R1	24.4	26.6	20.5	20.5	20.5		Transition Team in place - go live Sept/Oct 2020
Built Environment	R2	5.3	3.3	2.5	0.0	0		
Fleet Operations	R2	3.6	4.5	0.0	0.0	0		
Housing Solutions	R3	19.4	0.0	12.4	10.0	10		
HRA	R3	104.0	0.0	0.0	0.0	0		
Environmental Assets	R3	37.1	45.6	0.0	0.0	0		
Health & Social Care	R3	255.7	0.0	0.0	0.0	0		
Protective Services	R3	9.3	8.9	0.0	0.0	0		
Revenue Services	R3	44.2	49.9	9.4	2.4	2.4		Weekly stats reported to Business Analyst to be confirmed with HOS and benefits realised
Customer Contact Centre	R4	19.9	0.0	0.0	0.0	0		
Corporate Property	R4	6.5	0.0	0.0	0.0	0		
First Stop Shop	R4	9.0	0.0	0.0	0.0	0		
Legal Systems & Support	R5	2.5	0.0	0.0	0.0	0		
Admin & Member Services	R6	3.8	0.0	0.0	0.0	0		
Facility Support Services	R6	59.5	0.0	0.0	0.0	0		
Financial solutions	R6/R7	4.0	0.0	0.0	0.0	0		
Communication & Digital Learning	R9	0.1	0.0	0.0	0.0	0		
Registration Services	R11	0.7	0.0	0.0	0.0	0		
Education, Youth & Communities	R11	37.6	0.0	0.0	0.0	0		
Enterprise	R12	6.7	0.0	0.0	0.0	0		
Business Transformation	R12	0.3	0.0	0.0	0.0	0		
Financial inclusion	R12	6.5	0.0	0.0	0.0	0		
Planning & Place	R14	0.7	0.0	0.0	0.0	0		
		671.8	143.5	54.8	32.9	32.9		