Decision Pathway – Report

PURPOSE: Key decision

MEETING: Cabinet

DATE: 12 July 2022

TITLE	Digital Transformation Programme	
Ward(s)	N/A	
Author: Tim Borrett		**Job title: Director: Policy, Strategy and Digital**
Cabinet lead: Cllr Cheney, Cabinet Member for City Economy, Finance and Performance		**Executive Director lead: Mike Jackson**
Proposal origin: BCC Staff		
Decision maker: Cabinet Member **Decision forum:** Cabinet		

Purpose of Report:
Since 2018 significant work has been underway to modernise the council's IT estate, with significant investment of over £20m moving to a cloud-based environment, transitioning to Windows 10 and Microsoft 365, improving cyber security and more. Further investment is needed to continue the progress made to date, secure the full benefits of past investment, and continue towards a modernised simple, stable and secure environment which is resilient for the future. Last month Cabinet approved a refreshed Digital Strategy 2022-27 (June 2022) and parallel work has been underway to develop a business case for the next tranche of our digital transformation work. This report seeks Cabinet approval for a single Digital Transformation Programme and agreement to allocate funding and resources to deliver it. This report also proposes to formally bring together projects that were previously approved by Cabinet in September 2021 and govern it all as a combined programme of works via the Digital Transformation Board. Additionally, some interim contract extension approvals are also needed for telephony and networks to cover the intervening period whilst projects progress.

Evidence Base:

Context and Background
In April 2022 Cabinet noted to the emerging digital transformation narrative and plans for further digital transformation following the conclusion of the council's 2018 IT Transformation Programme (ITTP) and subsequent investment in Digital Transformation Programme Phase 1 (DTP1). Since April, the Digital Strategy 2022-27 has been refreshed and approved by Cabinet (in June 2022). This outlines four core ambitions of:
- **Easy, engaging, and inclusive.**
- **Simple, stable, and secure.**
- **Well-used and used well.**
- **Ready to partner, willing to share, and able to innovate.**

Although there are several projects already underway which directly contribute to the strategy, including those approved as part of DTP1 by Cabinet in September 2021, there is a need to transition previous investments from 'projects' into embedded 'business as usual', with legacy parts of the IT estate decommissioned. There is also a need to replace parts of the IT estate that are nearing obsolescence and which present increasing risks to resilience. The council also needs to make other critical IT improvements that help release savings from past contracts or support council-wide savings initiatives put forward within its annual budget-setting process. This tranche of work has been developed into a single Digital Transformation Programme proposal.

Digital Transformation Programme (DTP) - Business Case & Governance

Since January 2022, work has been underway to shape the programme, supported by an external supplier to help build confidence in solutions and approaches. The programme has been structured to focus on delivery of these core elements:

- **'Contract Saving'** work - with these projects having a target net saving of **£1.3m** recurring from FY 2025/26 (primarily reducing or mitigating budget pressures). There are anticipated to be five new projects, all of which deliver or enable financial benefits, alongside supporting and enabling workstreams (programme resources, and adoption & change management). The projects listed below are part of this category, but also fit into 'must do' or 'enabler for transformation' categories:
    - Cloud Optimisation: End User Compute
    - Cloud Optimisation: Estate to Cloud Migration
    - 3rd Party Savings
    - Citizen Services and Channel Shift
    - eDiscovery for Subject Access Requests (SAR)

- **'Must do'** or **'Essential Renewal'** – this comprises elements of Citizen Services and Channel Shift and Cloud Optimisation, above, plus:

    - Network: Remove our aging traditional network, redesigning and replacing it with a modern, fit-for-purpose network that offers additional security features. Early estimates suggest this will result in an increased annual revenue cost from today's spend of circa £0.9m, an increase planned to be covered by the delivery of £1.3m of savings across the wider programme.

- **'Enabler for Transformation'** - Transformation enablers that helps the Council change and improve the way it delivers services. New projects within this category are Cloud Optimisation, Citizen Services and Channel Shift, eDiscovery for SARs.

In addition to the new work listed above, it is proposed that the existing digital projects (known as DTP1) and their original £3.7m funding previously agreed by Cabinet in September 2021 will also be combined into the single programme. There are expected cost increases to some of these projects and further one-off funding (~£0.5m) is being sought within the programme to cover these (see **Appendix A1 -DTP1 update and evolution**).

In totality the programme has expected one-off costs of **£18m**. This can be funded, in full, from sources agreed during 22/23 budget setting and previous Cabinet approval. However, it should be noted that many projects are at an early stage of shaping and, whilst a 20% contingency is built-in to costings, does present residual risk of further cost increases in future.

It is proposed that the whole Digital Transformation Programme will be governed by the Digital Transformation Programme (DTP) Board within delegated authority sought from Cabinet. Building on learning from ITTP and subsequent audit and assurance activity, individual project business cases will be subject to internal governance and standard change portfolio assurance processes, providing assurance and clear gateways for 'stop/go' decision making in light of the financial contingency risk. These gateways also provide opportunity for the council to redirect funding away from the programme and towards other emerging priorities or pressures, should that need arise in future and subject to formal decision-making processes.

A tender process for a Digital Strategic Partner (agreed by Cabinet in April 2022) is now underway and expectation is a partner will be in place during 2022/23 and available to support delivery of the programme on a no-commitment basis, meaning the council will not be obligated to employ its services but will have the option to do so. Other temporary external support is expected to be secured in the interim to maximise release of savings at earliest opportunities.

A summary of the Digital Transformation Programme is attached as **Appendix A2: DTP Full Business Case Summary**, and Updated Terms of Reference (ToR) for the programme as **Appendix A3: DTP Terms of Reference**.

Interim networks and telephony decisions

As part of the Digital Transformation Programme there are two connected projects related to telephony and networks:

- **Telephony project (approved Sep 2021)** - The Telephony project (approved by Cabinet in Sep 2021) will transition the council's legacy traditional telephony provision to internet-based (IP) telephony through Microsoft Teams Phone (new technology), decommission existing legacy (Public Switch Telephony Network) technology and close all related contracts. However, the legacy traditional telephony contract needs to continue to support the business until the Telephony project commissions the new technology.

- **Network Replacement project (new)** - The Network Replacement project (utilising capital funds as set out in Full Council's approved budget for 2022/23) intends to replace the council's aging traditional network with a modern Software Defined Network with significant additional security and design features. It is in its early scoping phases and remains pending Cabinet approval as part of this paper. More detail is provided in **Appendix A4**. There is an essential need to secure contracts for continued network services to maintain the council's existing network provision during the interim period of designing and procuring the new network.

Therefore, the following two decisions are sought to allow us to maintain business-critical existing services whilst these projects progress:

- a Direct Award via Crown Commercial Services Network Services 2 Framework (RM3808) for a 3-year contract to Virgin Media Business for Internet and Connectivity Services with a maximum value of £1.491m;

- and

- A direct award via Crown Commercial Services Network Services 2 Framework (RM3808) Lot 3 (Traditional Telephony) of a 3-year contract for telephony services with a maximum value of £0.62m.

Both the above contracts will be a part of the IT service as 'business as usual' and are managed separately to the proposed Digital Transformation Programme.

When the new network project is combined with the wider suite of digital transformation projects, the overall net savings are reduced to circa £0.3m from 2025/26. However, the savings brought about by the transformation projects are projected to contain the pressure of the increased telephony and networks cost, which would otherwise become a pressure on the council's existing budget. The wider Digital Transformation Programme also provides a wide range of non-financial benefits, including reducing critical risks and reducing the likelihood of the council being exposed to unexpected financial or business pressures linked to aging or obsolete infrastructure and systems. Benefits are further summarised in **Appendix A2**.

Whilst some of the work described above is considered essential and business critical, options have been considered during business case development including accepting risks and removing discretionary projects. However, the financial benefits anticipated from some discretionary projects mitigates financial pressures that the essential works will incur, and whilst the overall Programme is finely balanced it is considered the best available option. Other options are noted in **Appendix A2**.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. **Approve** the 'Digital Transformation Programme' as set out in Appendix A2.

2. **Authorise** the *Director: Policy, Strategy and Digital* in consultation with the *Cabinet Member for Finance, Governance and Performance, Finance Director (S151)* & *Monitoring Officer* to take all steps required, including entering into necessary agreements, incurring relevant one-off (and first year) costs up to **£18m** (incorporating the approved £3.7m from September 2021 Cabinet for DTP1), and procuring and awarding any contracts above £500k to deliver the Digital Transformation Programme within the programme budget envelope and as outlined in this report.

3. **Approve** the updated Digital Transformation Programme Board governance and Terms of Reference at Appendix A3a and A3b, which will also govern previously agreed projects (from September 2021 Cabinet) and formally consolidate and combine them into the single Digital Transformation Programme.

4. **Authorise** the *Director: Policy, Strategy and Digital* in consultation with the Cabin*et Member for Finance, Governance and Performance* to take all steps necessary to Direct Award a contract to Virgin Media Business for the supply of Internet and Connectivity Services with a contract value of up to £1.49m for up to three years.

5. **Authorise** the *Director: Policy, Strategy and Digital* in consultation with the *Cabinet Member for Finance, Governance and Performance* to take all steps necessary to procure, award and implement a telephony contract with a contract value of up to £0.62m for three years.

6. **Note** that a report will be brought to Cabinet annually to update on the programme's progress and benefits tracking.

7. **Note** an increase to the expected one-off costs of the Digital Transformation Projects (DTP1) agreed by Cabinet in September 2021, which are included in the overall budget to be approved in this report, and the risk of increase to the ongoing costs outlined for Telephony project agreed by Cabinet in April 2022, which will be managed by the Programme within its total proposed financial envelope.

8. **Note** that the Digital Transformation Programme has scheduled gateways within all projects to enable the review of funding against organisational priorities and redirect if required in accordance with the Council's decision pathway.

Corporate Strategy alignment:

Digital transformation work supports and enables the 22-27 Corporate Strategy ambitions, in particular:
- Development Org - "The council is larger than most of its counterparts and not always more efficient or effective. We need to consider what the right size, shape and scale is for the city's future needs, streamline processes and target our limited resources to those most in need given the financial pressure we face."
- ED02 One Council - "We need to work more smartly and intentionally together as 'One Council'.
- ED03 Employer of Choice - "Support them with improved digital tools and technology"
- EDO4 Data Driven - "We own a wealth of information and data, and through an ongoing programme of digital transformation we are able to do more with it"
- EDO5 Good Governance - Resilience theme – "We must keep a good financial grip and manage things effectively without making things too bureaucratic and unwieldy, because part of being resilient means being able to be fast, flexible and adaptable in what we do"
- Resilience - "Build Bristol's city resilience through early intervention, minimising our contribution to future environmental, economic or social shocks and stresses. Build our ability to cope by learning from our past, taking a preventative approach and planning for long-term outcomes that support resilience"
- "Make sure that we are financially competent and resilient, offering good value for money."

City Benefits:

- As the leading Smart City in the UK Bristol citizens and users of our services rightly expect a digital experience comparable to other areas of their lives. Excellence in digital service delivery frees up staff to be able to

- spend more time answering phones and conducting face to face meetings in order to support people more effectively.
  - As described in our Corporate Strategy the way in which the council will interact with its citizens will need to change, delivering quicker and better outcomes, helping the council to be more efficient whilst making things easier for citizens.
  - Our digital ambitions have a critical part to play in achieving the future vision of a council that encourages inclusion, independence and enablement of all its citizens.
  - Our digital implementation plans are being designed to achieve the right balance of minimising operational cost whilst maximising the quality and effectiveness of our services.

Consultation Details:
Internal officer and Cabinet Member engagement (via Digital Transformation Board) as well as support and challenge from an external partner, Agilisys.

Background Documents:
- IT Strategy 18-23 - (approved at Cabinet July 2018)
- Network & Telephony Contract extension (approved at Cabinet July 2021)
- Digital Transformation Programme – 1st tranche of work (approved at Cabinet September 2021)
- Digital Plans and Strategic Partner – (approved at April 2022 Cabinet)
- Digital Strategy 2022-27 – (approved at June 2022 Cabinet)

Revenue Cost	£ 10,707,646	Source of Revenue Funding	• Digital Transformation Reserve (approved and allocated for DTP1): £3,667,103 • Digital Transformation Reserve: £1,016,000 • Flexible Use of Capital Receipts – Change Transformation Reserve: £4,475,000 • Flexible Use of Capital Receipts – DTP1 Reserve 21/22: £1,307,000 • Change Transformation Reserve: £202,543 • Key Line of Business Systems: £40,000
Capital Cost	£ 7,280,000	Source of Capital Funding	• Capital ICT Refresh Budget: £500,000 • Digital Transformation Network Improvements Capital budget 22/23-23/24: £6,780,000
One off cost ☒ Ongoing cost ☐		Saving Proposal ☒ Income generation proposal ☐	

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice:
This report covers multiple requests linked to Digital Transformation and the 3 programmes it comprises; DTP1 (previously approved at Cabinet 14 Sept 2021), Network Improvements and DTP2.

Network Improvements Programme is subject to a separate Cabinet report.

DTP2 was initially estimated to cost £5.8m incl. 20% contingency for optimism bias. £5.8m pending Invest To Save Capital budget was approved as part of the 22/23-31/32 Capital Programme Budget. Detailed scoping has increased the cost estimate to £8.1m (still incl. 20% contingency). This 20% may not be sufficient to offset the impact of current volatilities in market pricing.

Initially annual savings linked to this programme were estimated to be £2m p.a. and were expected to offset DT division's BAU annual budget pressure of c.£2m. Latest annual savings at DTP2 programme maturity are currently

estimated to be in the region of £1.3m p.a. against the £8.1m investment. The savings element assessed as relating specifically to Invest To Save capital funding does not meet the affordability principles for these schemes as set out in the Capital Strategy 2022-27 (i.e. 6% over 10 year period). Consequently, the programme will draw instead on flexible use Capital receipts for which it has separate approval to access.

Programme maturity is planned for 25/26. However, full investment payback will not be achieved for a further 5 years after programme maturity i.e. in 30/31.

£1.3m p.a. will be insufficient to bridge DT division's BAU budget pressure.

Dealing next with consolidation of DTP1, Network Improvements and DTP2 -
These 3 programmes have become increasingly interlinked. Consolidation will simplify tracking and bring some flexibility to total programme governance. However, Programme Management and DT Governance Board must ensure that consolidation does not impede appraisal of the programmes' individual workstreams at a more granular level.
£18.0m is requested and available to draw down. Funding sources are confirmed as available as follows:
- £3.7m Approved Revenue Reserve Programme DTP1
- £1.0m DT Revenue Reserve
- £5.8m (£4.5m + b/f £1.3m) Flexible Use Capital Receipts
- £0.2m Change Revenue Reserve
- £0.04m Key Line Of Business Revenue Reserve
- £6.78m Approved Pending Capital Programme Network Improvements
- £0.5m ICT Refresh Capital Budget

Finally, for transparency purposes, prior to consolidation of the 3 programmes, the financial position for each of these programmes and their interdependencies should be recapped and understood –
• DTP1 was approved with £3.7m Revenue reserve spend. It is currently forecast to cost a total £4.2m. This spend comprises £3.2m Revenue plus £1m Capital (thereby representing a £0.5m Revenue surplus and £1m Capital shortfall)
• On consolidation, this shortfall can (if approved) be funded by Networks which has £6.8m pending Capital of which it requires £5.7m (thereby presenting a £1.1m Capital surplus)
• However, it should be noted that Networks is currently forecasting an additional and unbudgeted annually recurrent Revenue spend of £1m (i.e. £1m p.a. Revenue budget growth)
• Again on consolidation, this recurrent Revenue pressure may (if approved) in turn be funded by DTP2 which is currently forecasting £1.3m annually recurrent Revenue savings at programme maturity. This reduces the programmes' consolidated net recurrent saving to £0.3m p.a.
• DTP2 is currently forecasting to cost a total £8.1m, an increase of £2.3m from its originally estimated £5.8m. This can be funded by £5.8m Flexible Use of Capital Receipts, £1.7m Revenue Reserves and £0.6m Capital.

Finance Business Partner: Jemma Prince, Finance Business Partner, 29 June 2022

2. Legal Advice: The procurement process must be conducted in line with the 2015 Procurement Regulations and the Councils own procurement rules. Legal services will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements.

Legal Team Leader: Husinara Jones, Team Leader/Solicitor 30 June 2022

3. Implications on IT: These proposals accord with the Digital Strategy 2022-27 and comprise a set of projects and initiatives to release the benefits of previous investments, address ageing parts of the council's IT infrastructure, improve security and resilience, and enable savings to be made within other projects across the council which are dependent on this work. Taken as a whole, it presents a major step forward in modernising the council's IT estate to meet current and future business needs. The recommendation to award Internet and Connectivity services is business critical. However, it continues to use aging infrastructure and should be the last renewal ahead of a fundamental re-design and re-procurement exercise for the council's network services, which is also proposed.

There is significant complexity to the overall programme and many of its constituent parts, with many interdependencies which increase risk and make the refreshed governance proposals vital, and timely delivery of the programme highly dependent on successfully procuring and appointing a Digital Strategic Partner.

In several cases, the realisation of benefits will not rely solely on the provision of the IT solution but will be reliant on successful adoption and adaptation of business processes to make best use of the new solutions. It will therefore be critical that service areas train, structure and support their staff to do this well.

IT Team Leader: Tim Borrett, Director: Policy, Strategy and Digital – 24th June 2022

4. HR Advice: There are no obvious HR implications arising from this report, though every opportunity should be taken to retrain/redeploy staff as and when technology is updated, and to delete vacant roles that are surplus to requirements.

HR Partner: James Brereton (HR Business Partner) - 24th June 2022

EDM Sign-off	Mike Jackson, Resources EDM	11/05/2022
Cabinet Member sign-off	Cllr Craig Cheney	27/06/2022
For Key Decisions - Mayor's Office sign-off	Mayor's Office	29/06/2022

Appendix A – Further essential background / detail on the proposal **A1 – DTP1 Update and evolution** **A2 – Digital Transformation Programme full business case summary** **A3a – DTP Governance Overview** **A3b – Refreshed ToR for the Board** **A4 – Networks/telephony interim paper (tactical/interim solution and Telephony project summary)**	**YES**
Appendix B – Details of consultation carried out - internal and external	**No**
Appendix C – Summary of any engagement with scrutiny	**YES**
Appendix D – Risk assessment	**YES**
Appendix E – Equalities screening / impact assessment of proposal E – Combined programme EQIA	**YES**
Appendix F – Eco-impact screening/ impact assessment of proposal F – Combined programme Eco impact	**YES**
Appendix G – Financial Advice	**No**
Appendix H – Legal Advice	**No**
Appendix I – Exempt Information	**No**
Appendix J – HR advice	**No**
Appendix K – ICT	**No**
Appendix L – Procurement	**No**